



**TAX INCREMENT FINANCING  
RECORD BOOK  
FOR  
CITY OF VICTORIA, MINNESOTA**

**Tax Increment Financing  
(Housing)  
District No. 1-7**

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Member FINRA and SIPC



**Victoria, Minnesota**  
**Tax Increment Financing (Housing) District No. 1-7 (Bethesda)**  
**As of May 18, 2020**

**TABLE OF CONTENTS**

1. Resolution Calling for Public Hearing and Notice
2. Affidavit of Publication for Public Hearing
3. Resolution Establishing TIF District No. 1-7
4. Adopted TIF Plan
5. Letter and Confirmation to County Requesting Certification
6. Certification Request Supplement
7. County Auditor's Certification Form
8. State Auditor's Collection Form
9. Notification Letter to County Commissioner and Confirmation of Receipt
10. Notification Letter to County Auditor
11. Notification Letter to School District
12. Confirmation of Filing of TIF Plan with State Auditor
13. Confirmation of Filing with Department of Revenue
14. Key Dates for Administration of TIF District
15. Resolution Authorizing TIF Assistance Agreement
16. Executed Agreements with Developer

Notes: The City did not approve an interfund loan resolution. The City determined that the Developer will pay administrative costs and the City will cover other costs that may not be reimbursed with TIF.

**RESOLUTION 2019-14**  
*MOTION BY MEMBER: Funk*  
*SECONDED BY MEMBER: Black*

**A RESOLUTION CALLING PUBLIC HEARING ON THE PROPOSED  
MODIFICATION TO THE DEVELOPMENT PROGRAM FOR  
MUNICIPAL DEVELOPMENT DISTRICT NO. 1 AND THE PROPOSED  
ESTABLISHMENT OF TAX INCREMENT FINANCING DISTRICT NO.  
1-7 WITHIN THE DEVELOPMENT DISTRICT AND THE PROPOSED  
ADOPTION OF THE TAX INCREMENT FINANCING PLAN RELATING  
TO THERETO**

**BE IT RESOLVED BY THE CITY COUNCIL (the "Council") OF VICTORIA, MINNESOTA (the  
"City") AS FOLLOWS:**

BE IT RESOLVED by the City Council (the "Council") of the City of Victoria, Minnesota (the  
"City"), as follows:


1. Public Hearing. This Council shall meet on Monday, April 22, 2019, at approximately 6:30 p.m., to hold a public hearing on the following matters: (a) the proposed modification to the Development Program for Municipal Development District No. 1; (b) the proposed establishment of Tax Increment Financing District No. 1-7 within the Development District; and (c) the proposed adoption of a Tax Increment Financing Plan relating to Tax Increment Financing District No. 1-7, all pursuant to and in accordance with Minnesota Statutes, Sections 469.124 through 469.134 and Minnesota Statutes, Sections 469.174 through 469.1794, both inclusive, as amended (the "Act"); and
2. Notice of Hearing; Filing of Program and Plan. The City Clerk is hereby authorized to cause a notice of the hearing, substantially in the form attached hereto as Exhibit A, to be published as required by the Act, and to place a copy of the proposed amendment to the Development Program and the proposed Tax Increment Financing Plan for the proposed Tax Increment Financing District No. 1-6 on file in the City Clerk's Office at Victoria City Hall and to make such copies available for inspection by the public.
3. Consultation with Other Taxing Jurisdictions. The City Clerk is hereby directed to mail a notice of the public hearing and a copy of the proposed amended Development Program and Tax increment Financing Plan for Municipal Development District No. 1 and Tax Increment Financing District No. 1-7 to Carver County and Independent School District No. 112 informing those taxing jurisdictions of the estimated fiscal and economic impact of the establishment of the proposed Tax Increment Financing District No. 1-7.

Councilmember	Aye	Nay	Abstain	Absent
Tom Funk	X			
Judy Black	X			
Tom Gregory	X			
Deb McMillan	X			
Tom Vogt	X			

Adopted by the City Council of the City of Victoria, Minnesota, this 11<sup>th</sup> day of March, 2019.

  
Thomas C. Funk, Mayor

ATTEST:

  
Cindy Patnode, City Clerk



**RESOLUTION 2019-14  
EXHBIT A**

**NOTICE OF PUBLIC HEARING**

CITY OF VICTORIA  
COUNTY OF CARVER  
STATE OF MINNESOTA

NOTICE IS HEREBY GIVEN that the City Council (the "Council") of the City of Victoria, Minnesota (the "City"), will hold a public hearing on Monday, April 22, 2019, at a meeting of the Council beginning at approximately 6:30 p.m., or as soon thereafter as the matter may be heard, in the Council Chambers of the City, City Hall, 1670 Stieger Lake Lane, Victoria, Minnesota, relating to (a) the proposed modification of the Development Program for Municipal Development District No. 1; (b) the proposed establishment of Tax Increment Financing District No. 1-7 within the Development District; and (c) the proposed adoption of a Tax Increment Financing Plan relating to Tax Increment Financing District No. 1-7, all pursuant to and in accordance with Minnesota Statutes, Sections 469.124 through 469.134 and Minnesota Statutes, Sections 469.174 through 469.1794, both inclusive, as amended. Copies of the Amended Development Program and Tax Increment Financing Plan for the Tax Increment Financing District No. 1-7 proposed to be considered at the hearing will be on file and available for public inspection during regular business hours at the office of the City Clerk at the Victoria City Hall at least 10 days prior to the public hearing.

Below is a map which shows the area of Municipal Development District No. 1 and the proposed Tax Increment Financing District No. 1-7, where the increments may be collected and expended, respectively, pursuant to the provisions of Minnesota Statutes, Sections 469.174 through 469.1794.





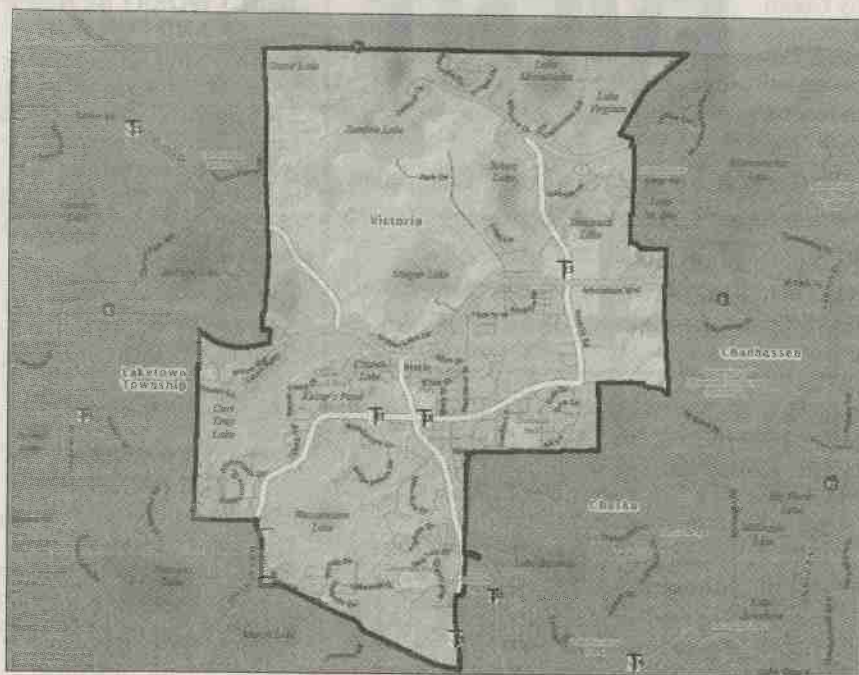


## NOTICE OF PUBLIC HEARING

CITY OF VICTORIA  
COUNTY OF CARVER  
STATE OF MINNESOTA

NOTICE IS HEREBY GIVEN that the City Council (the "Council") of the City of Victoria, Minnesota (the "City"), will hold a public hearing on Monday, April 22, 2019, at a meeting of the Council beginning at approximately 6:30 p.m., or as soon thereafter as the matter may be heard, in the Council Chambers of the City, City Hall, 1670 Stieger Lake Lane, Victoria, Minnesota, relating to (a) the proposed modification of the Development Program for Municipal Development District No. 1; (b) the proposed establishment of Tax Increment Financing District No. 1-7 within the Development District; and (c) the proposed adoption of a Tax Increment Financing Plan relating to Tax Increment Financing District No. 1-7, all pursuant to and in accordance with Minnesota Statutes, Sections 469.124 through 469.134 and Minnesota Statutes, Sections 469.174 through 469.1794, both inclusive, as amended. Copies of the Amended Development Program and Tax Increment Financing Plan for the Tax Increment Financing District No. 1-7 proposed to be considered at the hearing will be on file and available for public inspection during regular business hours at the office of the City Clerk at the Victoria City Hall at least 10 days prior to the public hearing.

Below is a map which shows the area of Municipal Development District No. 1 and the proposed Tax Increment Financing District No. 1-7, where the increments may be collected and expended, respectively, pursuant to the provisions of Minnesota Statutes, Sections 469.174 through 469.1794.



All interested persons may appear at the public hearing and present their views orally or in writing. Questions regarding this can be directed to Community Development Director Pat Smith at 952-443-4219.

BY ORDER OF THE CITY COUNCIL OF  
THE CITY OF VICTORIA, MINNESOTA

(Published in the Chanhassen Villager on Thursday April 11, 2019; No. 4725)

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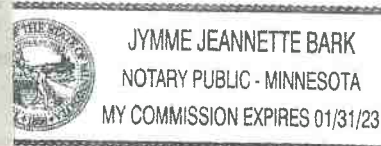
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as follows:

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Laurie A. Hartmann



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## RESOLUTION 2019-42

*MOTION BY MEMBER: McMillan*

*SECONDED BY MEMBER: Vogt*

**A RESOLUTION APPROVING MODIFICATION TO THE DEVELOPMENT  
PROGRAM FOR DEVELOPMENT DISTRICT NO. 1 AND THE  
ESTABLISHMENT OF TAX INCREMENT FINANCING DISTRICT NO. 1-7  
WITHIN THE DEVELOPMENT DISTRICT AND THE PROPOSED ADOPTION  
OF THE TAX INCREMENT FINANCING PLAN RELATING TO THERETO**

**WHEREAS:**

A. The City of Victoria, Minnesota (the "City") has proposed to modify the Development Program for Development District No. 1 (the "Development Program") and has proposed to establish Tax Increment Financing (Housing) District No. 1-7 (Bethesda) (the "TIF District") therein and approve and accept the proposed Tax Increment Financing Plan therefor (the "TIF Plan") under the provisions of Minnesota Statutes, Sections 469.134 through 469.133, both inclusive, as amended and Minnesota Statutes, Sections 469.174 through 469.1794, both inclusive, as amended (collectively, the "Act"); and

B. The City has performed all actions required by law to be performed prior to the establishment of the Development District and the establishment of the TIF District therein and the adoption of the proposed Development Program and TIF Plan relating thereto, including, but not limited to, notification of Carver County and Eastern Carver County Schools (ISD No. 112) having taxing jurisdiction over the property to be included in the TIF District; and

C. The City Council of the City (the "Council") has reviewed the contents of the Development Program and the TIF Plan, and on this date conducted a public hearing thereon at which the views of all interested persons were heard.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Victoria as follows:

1. Development Program for Development District No. 1. The modification of the Development Program for Development District No. 1 is approved and adopted.
2. Tax Increment Financing (Redevelopment) District No 1-7. Tax Increment Financing (Housing) District No. 1-7 is hereby established within Development

District No. 1. The initial boundaries of the TIF District are fixed and determined as described in the TIF Plan.

3. Tax Increment Financing Plan. The TIF Plan is adopted as the tax increment financing plan for the TIF District and is incorporated herein by reference, and the City Council makes the following findings consistent with the TIF Plan:

(a) The TIF District is a housing district as defined in Section 469.174, Subd. 11 of the Act, as described in Section 2.03.3 of the TIF Plan.

(b) In the opinion of the City Council, the development proposed in connection with establishment of the TIF District would not occur solely through private investment within the reasonably foreseeable future, and the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing ("TIF Assistance") would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District as described in the TIF Plan.

The above finding is based on a request to the City submitted by the Developer, stating that the TIF Assistance is needed from the City and that without the use of tax increment financing, the proposed development could not proceed.

The City also finds that due to the extraordinary cost of site improvements, reduced density, and the limitation on rents available to developers of multifamily housing with an affordable component, the City has no expectation that other similar development would occur without TIF Assistance. Therefore, the City reasonably believes that the expected increase in market value at this site without TIF Assistance would be minimal. A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed. There has been no economic activity over the past five years within the TIF District, so the City projects a small inflationary rate of 1%. Such analysis, included as Exhibit I to the TIF Plan, indicates that:

- 1) the increase in estimated market value of the proposed development is \$9,107,070;
- 2) the present value of expected tax increments collected over the maximum duration of the TIF District is \$1,602,667;
- 3) the expected increased estimated market value of the site without the use of tax increment is \$7,251,372; and
- 4) even if some development other than the proposed development were to occur, the City finds that no alternative would occur that would produce a market value increase greater than \$7,504,403 (the amount in number 1 less the amount in number 2).

(c) The TIF Plan for the TIF District No. conforms to the general plan for development or redevelopment of the City as a whole, because the City's comprehensive plan provides for multifamily residential housing as a permitted use on the property in the TIF District, and rezoning will not be required.

(d) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the TIF District by private enterprise. Through the implementation of the TIF Plan, the City will provide an impetus for construction of new multifamily housing by a private developer on currently underutilized land in need of redevelopment, thereby increasing housing options in the City and encouraging potential further development in the City by other private developers and the maintenance of property values for the surrounding properties.


4. Public Purpose. The adoption of the TIF Plan conforms in all respects to the requirements of the Act and will help fulfill a need to redevelop an area of the City which is already built up, to provide increased housing options to City residents, to improve the tax base, and to improve the general economy of the State, and thereby serves a public purpose.
5. Certification. The City staff and consultants are authorized and directed to proceed with implementation of the TIF Plan and to transmit the request for certification of the TIF District to the Carver County Auditor in such form and content as the County Auditor may specify, together with a list of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding the adoption of this Resolution. The Carver County Auditor is requested to certify the original net tax capacity of the TIF District as described in the TIF Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased in accordance with the Act.
6. Filing. The City staff and consultants are authorized and directed to file copies of the Modification to Development Program for Development District No. 1 and the TIF Plan for the TIF District with the Commissioner of Revenue and Office of the State Auditor.

<b>Councilmember</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Absent</b>
Tom Funk		X		
Judy Black	X			
Tom Gregory		X		
Deb McMillan	X			
Tom Vogt	X			

Adopted this 8th day of July, 2019.

  
 Thomas C. Funk, Mayor

ATTEST:

  
 Cindy Patnode, City Clerk

**CITY OF VICTORIA, MINNESOTA**

**MODIFICATION TO DEVELOPMENT PROGRAM FOR  
DEVELOPMENT DISTRICT NO. 1**

**TAX INCREMENT FINANCING PLAN FOR  
TAX INCREMENT FINANCING (HOUSING)  
DISTRICT NO. 1-7 (BETHESDA)**

**PUBLIC HEARING DATE: APRIL 22, 2019, CONTINUED TO JULY 8, 2019**

**PLAN APPROVED BY CITY COUNCIL DATE: JULY 8, 2019**

**PLAN CERTIFICATION REQUEST DATE: \_\_\_\_\_, 2019**

**PLAN CERTIFIED DATE: \_\_\_\_\_, 2019**



Northland Securities, Inc.  
150 South Fifth Street, Suite 3300  
Minneapolis, MN 55402  
(800) 851-2920  
Member NASD and SIPC  
Registered with SEC and MSRB



## TABLE OF CONTENTS

<b>ARTICLE I – INTRODUCTION AND DEFINITIONS .....</b>	<b>1</b>
Section 1.01    Introduction .....	1
Section 1.02    Definitions .....	1
Section 1.03    Plan Preparation .....	1
<b>ARTICLE II - MODIFICATION TO DEVELOPMENT PROGRAM .....</b>	<b>2</b>
Section 2.01    Overview .....	2
Section 2.02    Boundaries of Development District .....	2
<b>ARTICLE III - TAX INCREMENT FINANCING PLAN .....</b>	<b>3</b>
Section 3.01    Statutory Authority .....	3
Section 3.02    Planned Development .....	3
3.02.1        Project Description .....	3
3.02.2        City Plans and Development Program .....	3
3.02.3        Land Acquisition .....	3
3.02.4        Development Activities .....	3
3.02.5        Need for Tax Increment Financing .....	3
Section 3.03    Tax Increment Financing District .....	4
3.03.1        Designation .....	4
3.03.2        Boundaries of TIF District .....	4
3.03.3        Type of District .....	4
Section 3.04    Plan for Use of Tax Increment .....	4
3.04.1        Estimated Tax Increment .....	4
3.04.2        Project Costs .....	5
3.04.3        Estimated Sources and Uses of Funds .....	6
3.04.4        Administrative Expense .....	6
3.04.5        County Road Costs .....	7
3.04.6        Bonded Indebtedness .....	7
3.04.7        Duration of TIF District .....	8
3.04.8        Estimated Impact on Other Taxing Jurisdictions .....	8
3.04.9        Prior Planned Improvements .....	8
<b>ARTICLE IV – ADMINISTERING THE TIF DISTRICT .....</b>	<b>8</b>
Section 4.01    Filing and Certification .....	8
Section 4.02    Modifications of the Tax Increment Financing Plan .....	8
Section 4.03    4-Year Knockdown Rule .....	9
Section 4.04    Pooling/5-Year Rule .....	9
Section 4.05    Financial Reporting and Disclosure Requirements .....	9
Section 4.06    Business Subsidy Compliance .....	10
<b>EXHIBITS.....</b>	<b>11</b>
Exhibit I        Present Value Analysis .....	11
Exhibit II        Projected Tax Increment .....	12
Exhibit III        Impact on Other Taxing Jurisdictions .....	13
Exhibit IV        Estimated Tax Increment Over Life of District .....	14
Exhibit V        Map of Development District and TIF District .....	15

## **ARTICLE I – INTRODUCTION AND DEFINITIONS**

### **SECTION 1.01 INTRODUCTION**

The City of Victoria proposes to provide tax increment financing assistance through the establishment of Tax Increment Financing (Housing) District No. 1-7 to assist with the financing of certain project costs for the construction of an approximate 52-unit rental housing facility, with an affordable component, by a private developer.

This document contains the plan for achieving the objectives of the Development District through the establishment of Tax Increment Financing District No. 1-7.

### **SECTION 1.02 DEFINITIONS**

For the purposes of this document, the terms below have the meanings given in this section, unless the context in which they are used indicates a different meaning:

1. “City” means the City of Victoria, Minnesota.
2. “City Council” means the City Council of the City.
3. “County” means Carver County, Minnesota.
4. “Developer” means a party undertaking construction or renovation within the TIF District.
5. “Development District” means Development District No. 1 in the City, created and established and modified pursuant to and in accordance with the Development District Act.
6. “Development District Act” means Minnesota Statutes, Sections 469.124 through 469.133, as amended and supplemented from time to time.
7. “Development Program” means the Development Program for the Development District, as amended and supplemented from time to time.
8. “Project” means the construction of an approximate 52-unit rental housing facility by the Developer.
9. “Project Area” means the geographic area of the Development District.
10. “Project Costs” means the cost of the development activities that will or are expected to occur within the Project Area or TIF District.
11. “School District” means Eastern Carver County Schools (Independent School District No. 112).
12. “State” means the State of Minnesota.
13. “TIF Act” means Minnesota Statutes, Sections 469.174 through 469.1794, both inclusive.
14. “TIF District” means Tax Increment Financing (Housing) District No. 1-7 (Bethesda).
15. “TIF Plan” means the tax increment financing plan for the TIF District (this document).

### **SECTION 1.03 PLAN PREPARATION**

The document was prepared for the City by Northland Securities, Inc.

## **ARTICLE II - MODIFICATION TO DEVELOPMENT PROGRAM**

### **SECTION 2.01 OVERVIEW**

The City has heretofore established Development District No. 1, initially established in April 1990 and amended on May 1, 1997 (as amended, the "Development District") and adopted a development program therefor (the "Development Program") pursuant to the Minnesota Municipal Development District Act, Minnesota Statutes, Sections 469.124 through 469.134, and established Tax Increment Financing District Nos. 1-2, 1-3, 1-4, 1-5, and 1-6 within the Development District pursuant to the TIF Act.

Various amendments have been adopted with respect to the Development Program, the tax increment financing districts within, and the tax increment financing plans, including the establishment of new tax increment financing districts within the Development District.

The City has determined that it is necessary to further amend the Development Program to establish Tax Increment Financing District No. 1-7 within the Development District.

Except as herein or previously modified, all other provisions of the Development Program for the Development District shall remain unchanged and in full force and effect.

### **SECTION 2.02 BOUNDARIES OF DEVELOPMENT DISTRICT**

The boundaries of the Development District are contiguous with the boundaries of the City depicted in Exhibit VI, as approved by the modification to the Development District adopted on February 8, 2016 (Resolution No. 16-11).

## **ARTICLE III - TAX INCREMENT FINANCING PLAN**

### **SECTION 3.01 STATUTORY AUTHORITY**

The TIF District and the TIF Plan are established under the authority of the TIF Act.

### **SECTION 3.02 PLANNED DEVELOPMENT**

#### *3.02.1 Project Description*

The Developer proposes to redevelop a 4.33 acre site located at 1501 82nd Street in the City into an independent adult living community that will be age restricted to residents that are 55 years and older. All existing buildings on the site will be removed and replaced with new housing comprised of a 37-unit three story garden apartment home building with a community center, and four single level townhouse style home pods consisting of 15 apartment home units for a total of 52 apartment homes.

#### *3.02.2 City Plans and Development Program*

In addition to achieving the objectives of the Development Program, the proposed development is consistent with and works to achieve the development objectives of the City. The TIF Plan for the TIF District conforms to the general plan for development or redevelopment of the City as a whole.

The City has adopted land use controls to guide the use of property. The proposed development plans for the project in the TIF District were reviewed by the Planning Commission and the City Council as of the date of approval of this TIF Plan.

#### *3.02.3 Land Acquisition*

The City does not plan to acquire any property within the TIF District.

#### *3.02.4 Development Activities*

As of the date of approval of this TIF Plan, there are no development activities proposed in this TIF Plan that are subject to contracts.

#### *3.02.5 Need for Tax Increment Financing*

In various materials the Developer has demonstrated that the proposed use of tax increment financing is needed to offset the high construction costs of high-quality low- to moderate-income housing and associated infrastructure required to support the facility. Without the proposed assistance, these initial up-front costs would make it infeasible for the Developer to be able to charge the affordable rents required for low-to moderate-income residents. Thus, it is the opinion of the City that the proposed development would not reasonably be expected to occur solely through private investment within the foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan.

A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed as described above and is shown in Exhibit I. This analysis, which is not required by the TIF Act for approval of a housing district, indicates that the increase in estimated market value of the proposed development (less the present value of the projected tax increments for the maximum duration permitted by the TIF Plan) exceeds the estimated market value of the site prior to the establishment of the TIF District.

### **SECTION 3.03 TAX INCREMENT FINANCING DISTRICT**

#### **3.03.1 Designation**

This TIF District is designated Tax Increment Financing (Housing) District No. 1-7 (Bethesda).

#### **3.03.2 Boundaries of TIF District**

The boundaries of the TIF District are depicted in Exhibit V. The TIF District includes parcel numbers 65.0800020, 65.0800031, and the adjacent roads and right-of-way. The property within the TIF District is legally described as follows:

*Lot 2, Block 1, ARETZ FIRST ADDITION, together with the West 50 feet of Lot 3, Block 1, ARETZ FIRST ADDITION, Carver County, Minnesota.*

#### **3.03.3 Type of District**

The TIF District is designated as a “housing” district pursuant to Section 469.174, Subd. 11 of the TIF Act. For the designation, of a tax increment financing housing district, the Developer of the Project will need to commit to the following:

1. Satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. This requirement applies for the duration of the tax increment financing district. The Fiscal Year 2018 Area Median Income for the County is \$94,300. The developer will commit to provide (a) 20% or more of units for occupancy by persons at 50% or less of area median gross income (estimated at \$47,150) or (b) (a) 40% or more of units for occupancy by persons at 60% or less of area median gross income (estimated at \$56,580). These income thresholds may change over the life of the TIF District.
2. Provide that no more than 20% of the square footage of building to receive assistance from tax increments consist of commercial, retail, or other nonresidential uses. Revenue derived from tax increment from a housing district must be used solely to finance the cost of housing projects as defined in Section 469.174, Subd. 11 of the TIF Act. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the City may be included in the cost of a housing project.
3. Failure to comply with these income limitations is subject to the enforcement provisions of Section 469.1771 of the TIF Act.

### **SECTION 3.04 PLAN FOR USE OF TAX INCREMENT**

#### **3.04.1 Estimated Tax Increment**

The original net tax capacity of value of the TIF District will be set by the County upon request for certification. For the purposes of the TIF Plan, the estimated original net tax capacity (base tax capacity) is \$11,199. This amount is estimated based on the most recent published estimated market value of \$895,900 for the property within the TIF District; the tax capacity value is calculated based on residential rental property classification.

The total tax capacity value of the property after development completion (for taxes payable in 2022, estimated to be year two of the TIF District) is estimated to be \$98,475. This amount is based on a total estimated market value of \$7,878,000 with property classified as residential rental property. The estimated difference between the total tax capacity value after development completion (for taxes payable in 2022) and the original net tax capacity value is the captured tax capacity value (\$87,276) for the creation of tax increment.

The total local tax rate for taxes payable in 2018 is 108.74%. The TIF Plan assumes this rate as the original local tax rate for the TIF District. At the time of the certification of the original net tax capacity for the TIF District, the county auditor shall certify the original local tax rate that applies to the TIF District. The original local tax rate is the sum of all the local tax rates,

excluding that portion of the school rate attributable to the general education levy under Minnesota Statutes Section 126C.13, that apply to a property in the TIF District. The local tax rate to be certified is the rate in effect for the same taxes payable year applicable to the tax capacity values certified as the TIF District's original tax capacity. The resulting tax capacity rate is the original local tax rate for the life of the TIF District.

Under these assumptions, the estimated annual tax increment will be \$94,908 after development completion for taxes payable in 2022. The actual tax increment will vary according to the certified original tax capacity value and original tax rate, the actual property value produced by the proposed development and the changes in property value and State of Minnesota tax policy over the life of the district.

It is the intent of the City to retain 100% of the captured tax capacity value for the duration of the TIF district. Exhibit II contains the projected tax increment over the life of the District.

### *3.04.2 Project Costs*

The City will use tax increment to pay Project Costs. The City anticipates the use of tax increment to pay administrative expenses for the TIF District and to reimburse the Developer on a pay-go basis for certain Project Costs to provide the affordable housing. A contract between the City and the Developer will define the means for verifying Developer costs eligible for reimbursement and the means of disbursing tax increments collected by the City to the Developer.

The City may also use tax increments to pay financing costs. The interest rate payable on bonds, the definition of bonds includes tax increment financing revenue notes, to be issued will be set pursuant to a contract with the Developer.

The City reserves the right to modify the TIF Plan to provide authority to expend tax increment from the TIF District on other housing projects that meet the criteria for establishing a housing tax increment financing district. Section 469.174, Subd. 11 of the TIF Act defines a housing district consisting of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income. The requirements for the establishment of a housing tax increment financing district are contained in Section 469.1761 of the TIF Act. The primary criteria are income related. The criteria are different for owned and rental housing.

The practical application of this authority includes:

- The use of tax increment is not limited by pooling restrictions or the five-year rule.
- The tax increment can be spent on activities outside of the TIF district, but within the Development District.
- This authority does not extend the maximum statutory duration of the TIF district.
- The tax increment must be used solely to finance the cost of the "housing project" as defined by the TIF Act. The cost of public improvements directly related to the housing project and the allocated administrative expenses of the City may be included in the cost of the housing project.
- No more than 20% of the square footage of buildings that receive tax increment financing assistance may consist of commercial, retail, or other nonresidential uses.

Potential applications of this authority include:

- Individual housing projects avoiding the need for a new tax increment financing district.
- Supplementing the revenues of another housing tax increment financing district.
- Assistance for the renovation of existing housing.

- Acquisition of land for housing.
- Assistance to make public improvements more affordable.

### 3.04.3 *Estimated Sources and Uses of Funds*

The estimated sources of revenue, along with the estimated Project Costs of the TIF District, are itemized in Figure 3-1 that follows. Such costs are eligible for reimbursement from tax increments from the TIF District. The City reserves the right to administratively adjust the amount of any of the Project Cost items listed in Figure 3-1, so long as the total estimated tax increment project costs amount, not including financing costs, is not increased.

**Figure 3-1**  
**City of Victoria**  
**Tax Increment Financing District No. 1-7**  
**Projected Tax Increment**  
**(Bethesda)**

	<b>Total</b>
<b>Estimated Tax Increment Revenues (from tax increment generated by the district)</b>	
Tax increment revenues distributed from the county	\$2,760,000
Interest and investment earnings	\$20,000
Sales/lease proceeds	\$0
Market value homestead credit	\$0
<b>Total Estimated Tax Increment Revenues</b>	<b>\$2,780,000</b>
<b>Estimated Project/Financing Costs (to be paid or financed with tax increment)</b>	
Project costs	
Land/building acquisition	\$0
Site improvements/preparation costs	\$0
Utilities	\$0
Other public improvements	\$0
Construction of affordable housing	\$1,280,000
Small city authorized costs, if not already included above	\$0
Administrative costs	\$276,000
<b>Estimated Tax Increment Project Costs</b>	<b>\$1,556,000</b>
Estimated financing costs	
Interest expense	\$1,224,000
<b>Total Estimated Project/Financing Costs to be Paid from Tax Increment</b>	<b>\$2,780,000</b>
<b>Estimated Financing</b>	
Total amount of bonds to be issued	\$2,780,000

### 3.04.4 *Administrative Expense*

The City reserves the right to retain up to ten percent (10%) of annual tax increment revenues, in addition to any required fees paid to the State of Minnesota and County. The City will use these monies to pay for and reimburse the City for costs of administering the TIF district allowed by the TIF Act. The estimated amount of tax increment revenue planned to pay administrative expense is shown in Figure 3-1. Administrative expenses of the TIF District will include costs related to the establishment, annual audit of the fund for TIF District, preparation of annual reporting, legal publication of annual report, and administration of the development agreement.

#### 3.04.5 *County Road Costs*

The proposed development will not substantially increase the use of county roads and necessitate the need to use tax increments to pay for county road improvements.

#### 3.04.6 *Bonded Indebtedness*

The City plans to use tax increment financing, the increase in property taxes (tax increment) that will result from the Project, to pay for certain qualified Project Costs eligible to be reimbursed from tax increment pursuant to the TIF Act. Because development will occur before tax increment revenues will be generated and available, bonded indebtedness is anticipated. Bonds are broadly defined in the TIF Act. The maximum amount of bonded indebtedness for the TIF District is shown in Figure 3-1. The City will not issue any general obligation bonded indebtedness as a result of the TIF Plan.

The City may use tax increment financing to reimburse the Developer on a pay-as-you-go (PAYG) basis for Project Costs pursuant to a contract with the Developer. A PAYG obligation is a form of bonded indebtedness, a revenue obligation. The Developer will pay for certain qualified Project Costs, and may be reimbursed for these costs by tax increment revenue over time. Reimbursement with tax increment revenues from the TIF District will occur when and to the extent tax increment revenues become available, pursuant to terms of a contract with the Developer. Initially, the Developer will use its own funds and/or privately borrowed funds from a bank or third party to finance the Project Costs. The Developer will be required to submit invoices to the City to substantiate the costs incurred as qualified Project Costs. The City will then issue a PAYG note to the Developer for the principal amount equal to the Project Costs incurred. Section 3.04.3 of the TIF Plan provides the authority for the City to consider reimbursement of Project Costs to the Developer in an amount not to exceed \$1,280,000. Tax increment revenues generated from the new development may be used to pay debt service on the PAYG note, inclusive of interest. If tax increment revenues sufficient to pay the PAYG note are not generated as estimated in the TIF Plan, the Developer will not be reimbursed and the City has no obligation to pay the shortfall. With a PAYG note it is the Developer who will accept the risk of a development that generates less tax increment revenues than anticipated. If more tax increment revenues are generated than estimated in the TIF Plan then the PAYG note will be paid off early and the City may act to decertify the TIF District early.

The City reserves the authority to advance or loan money to finance expenditures under Section 469.176, Subd. 4 of the TIF Act, from the general funds of the City or any other fund under which there is legal authority to do so, subject to the following provisions:

- (a) Not later than 60 days after money is transferred, advanced, or spent, whichever is earliest, the loan or advance must be authorized by resolution of the City.
- (b) The resolution may generally grant to the City the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The resolution may be adopted before or after the adoption of the tax increment financing plan or the creation of the tax increment financing district from which the advance or loan is to be repaid.
- (c) The terms and conditions for repayment of the loan must be provided in writing. The written terms and conditions may be in any form, but must include, at a minimum, the principal amount, the interest rate, and maximum term. Written terms may be modified or amended in writing by the City before the latest decertification of any tax increment financing district from which the interfund loan is to be repaid. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 or 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or 549.09 are from time to time adjusted. Loans or advances may be structured as draw-



down or line-of-credit obligations of the lending fund.

(d) The City shall report in the annual report submitted under Section 469.175, Subd. 6 of the TIF Act:

- (1) the amount of any interfund loan or advance made in a calendar year; and
- (2) any amendment of an interfund loan or advance made in a calendar year.

#### *3.04.7 Duration of TIF District*

The duration to collect and spend tax increments on eligible purposes is set at the maximum duration of 25 years after the date of receipt of the first tax increment or 26 years of tax increment collection. The estimated month and year of first receipt of tax increment is July 2021. The estimated required decertification date is 12/31/2046.

#### *3.04.8 Estimated Impact on Other Taxing Jurisdictions*

Exhibits III and IV show the estimated impact on other taxing jurisdictions if the maximum projected retained captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions. The City finds that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

The City anticipates minimal impact of the proposed development on city-provided services. There will be no borrowing costs to the City for the Project. A manageable increase in water and sewer usage is expected. It is anticipated that there may be a slight but manageable increase in police and fire protection duties due to the development.

#### *3.04.9 Prior Planned Improvements*

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District. The City will include this statement with the request for certification to the County Auditor.

## **ARTICLE IV – ADMINISTERING THE TIF DISTRICT**

### **SECTION 4.01 FILING AND CERTIFICATION**

The filing and certification of the TIF Plan consists of the following steps:

1. Upon adoption of the TIF Plan by the City, the City shall submit a copy of the TIF Plan to the Minnesota Department of Revenue and the Office of the State Auditor.
2. The City shall request that the County Auditor certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the County Auditor in this process, the City shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements.

### **SECTION 4.02 MODIFICATIONS OF THE TAX INCREMENT FINANCING PLAN**

The City reserves the right to modify the TIF District and the TIF Plan. Under the TIF Act, the following actions can only be approved after satisfying all the necessary requirements for approval of the original TIF Plan (including notifications and public hearing):

- Reduction or enlargement in the geographic area of the Development District or the TIF

District.

- Increase in the amount of bonded indebtedness to be incurred.
- Increase in the amount of capitalized interest.
- Increase in that portion of the captured net tax capacity to be retained by the City.
- Increase in the total estimated Project Costs, not including cost of financing.
- Designation of additional property to be acquired by the City.

Other modifications can be made by resolution of the City. In addition, the original approval process does not apply if (1) the only modification is elimination of parcels from the TIF District and (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the City finds that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

The City shall notify the County Auditor of any modification that reduces or enlarges the geographic area of the TIF District. The geographic area of the TIF District may be reduced but not enlarged after five years following the date of certification.

### **SECTION 4.03 4-YEAR KNOCKDOWN RULE**

Development of the project as planned will prevent any loss of value from the 4-Year Knockdown Rule. The 4-Year Knockdown Rule requires that if after four years from certification of the TIF District no demolition, rehabilitation, renovation or site improvement, including a qualified improvement of an adjacent street, has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The City must submit to the County Auditor, by February 1 of the fifth year following certification, evidence that the required activity has taken place for each parcel in the TIF District.

If a parcel is excluded from the TIF District and the City, or owner of the parcel subsequently commences any of the above activities, the City shall certify to the County Auditor that such activity has commenced and the parcel shall once again be included in the TIF District. The County Auditor shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue, and add such amount to the original net tax capacity of the TIF District.

### **SECTION 4.04 POOLING/5-YEAR RULE**

As permitted under Section 469.1763, Subd. 2(b) and Subd. 3(a)(5) of the TIF Act, any expenditures of increment from the TIF District to pay the cost of a "housing project" as defined in Section 469.174, Subd. 11 of the TIF Act will be treated as an expenditure within the district for the purposes of the "pooling rules" and the "five year rule". It is not anticipated that tax increments will be spent outside the TIF District (except allowable administrative expenses), but such expenditures are expressly authorized in the TIF Plan.

### **SECTION 4.05 FINANCIAL REPORTING AND DISCLOSURE REQUIREMENTS**

The City will comply with the annual reporting requirements of State Law pursuant to the guidelines of the Office of the State Auditor. Under current law, the City must prepare and submit a report on the TIF district on or before August 1 of each year. The City must also

annually publish in a newspaper of general circulation in the City an annual statement for each tax increment financing district.

The reporting and disclosure requirements outlined in this section begin with the year the district was certified, and shall end in the year in which both the district has been decertified and all tax increments have been spent or returned to the county for redistribution. Failure to meet these requirements, as determined by the State Auditors Office, may result in suspension of distribution of tax increment.

#### **SECTION 4.06 BUSINESS SUBSIDY COMPLIANCE**

The Project is exempt from the business subsidies requirements specified in Minnesota Statutes, Sections 116J.993 to 116J.995 because the intended assistance for the Project specified in this document is anticipated to be 100% for housing assistance.

**Exhibit I**  
**City of Victoria**  
**Tax Increment Financing District No. 1-7**  
**Present Value Analysis <sup>3</sup>**  
**Minnesota Statutes 469.175(3)(2)**  
**(Bethesda)**

1 Estimated Future Market Value w/ Tax Increment Financing	10,002,970 <sup>1</sup>
2 Payable 2018 Market Value	<u>895,900</u>
3 Market Value Increase (1-2)	9,107,070
4 Present Value of Future Tax Increments	<u>1,602,667</u>
5 Market Value Increase Less PV of Tax Increments	7,504,403
6 Estimated Future Market Value w/o Tax Increment Financing	1,148,931 <sup>1</sup>
7 Payable 2018 Market Value	<u>895,900</u>
8 Market Value Increase (6-7)	<u>253,031</u>
9 Increase in MV From TIF	<u><u>7,251,372</u></u> <sup>2</sup>

<sup>1</sup> Assume 1.00% annual appreciation over 25 year life of district.

<sup>2</sup> Statutory compliance achieved if increase in market value from TIF (Line 9) is greater than or equal to zero.

<sup>3</sup> Section 469.175(3)(2) of the TIF Act does not require this present value analysis for a housing tax increment financing district. This analysis is provided for information purposes.

**TAX INCREMENT FINANCING (HOUSING) DISTRICT NO. 1-7**

**Exhibit II  
City of Victoria  
Tax Increment Financing District No. 1-7 (Housing)  
(Bethesda)  
Projected Tax Increment Cash Flow**

<b>TIF District Year</b>	<b>Taxes Payable Year</b>	<b>Taxable Market Value (TMV) <sup>1, 6</sup></b>	<b>Tax Capacity</b>	<b>Less Base Tax Capacity <sup>4</sup></b>	<b>Captured Tax Capacity <sup>3</sup></b>	<b>Original Tax Rate <sup>2</sup></b>	<b>Captured Tax Increment Financing (TIF)</b>	<b>Less State Fee</b>	<b>Available Tax Increment Financing</b>	<b>Present Value of Available TIF <sup>5</sup></b>
1	2021	3,900,000	48,750	(11,199)	37,551	108.74%	40,835	(147)	40,688	38,597
2	2022	7,878,000	98,475	(11,199)	87,276	108.74%	94,908	(342)	94,566	124,820
3	2023	7,956,780	99,460	(11,199)	88,261	108.74%	95,979	(346)	95,633	208,630
4	2024	8,036,348	100,454	(11,199)	89,256	108.74%	97,060	(349)	96,711	290,093
5	2025	8,116,711	101,459	(11,199)	90,260	108.74%	98,153	(353)	97,800	369,275
6	2026	8,197,878	102,473	(11,199)	91,275	108.74%	99,256	(357)	98,899	446,237
7	2027	8,279,857	103,498	(11,199)	92,299	108.74%	100,370	(361)	100,009	521,040
8	2028	8,362,656	104,533	(11,199)	93,334	108.74%	101,496	(365)	101,131	593,746
9	2029	8,446,282	105,579	(11,199)	94,380	108.74%	102,632	(369)	102,263	664,411
10	2030	8,530,745	106,634	(11,199)	95,436	108.74%	103,781	(374)	103,407	733,091
11	2031	8,616,053	107,701	(11,199)	96,502	108.74%	104,940	(378)	104,562	799,843
12	2032	8,702,213	108,778	(11,199)	97,579	108.74%	106,111	(382)	105,729	864,718
13	2033	8,789,235	109,865	(11,199)	98,667	108.74%	107,294	(386)	106,908	927,769
14	2034	8,877,128	110,964	(11,199)	99,765	108.74%	108,489	(391)	108,098	989,046
15	2035	8,965,899	112,074	(11,199)	100,875	108.74%	109,696	(395)	109,301	1,048,600
16	2036	9,055,558	113,194	(11,199)	101,996	108.74%	110,914	(399)	110,515	1,106,476
17	2037	9,146,113	114,326	(11,199)	103,128	108.74%	112,145	(404)	111,741	1,162,723
18	2038	9,237,575	115,470	(11,199)	104,271	108.74%	113,389	(408)	112,981	1,217,385
19	2039	9,329,950	116,624	(11,199)	105,426	108.74%	114,644	(413)	114,231	1,270,506
20	2040	9,423,250	117,791	(11,199)	106,592	108.74%	115,912	(417)	115,495	1,322,129
21	2041	9,517,482	118,969	(11,199)	107,770	108.74%	117,193	(422)	116,771	1,372,296
22	2042	9,612,657	120,158	(11,199)	108,959	108.74%	118,487	(427)	118,060	1,421,047
23	2043	9,708,784	121,360	(11,199)	110,161	108.74%	119,794	(431)	119,363	1,468,422
24	2044	9,805,872	122,573	(11,199)	111,375	108.74%	121,113	(436)	120,677	1,514,459
25	2045	9,903,930	123,799	(11,199)	112,600	108.74%	122,446	(441)	122,005	1,559,195
26	2046	10,002,970	125,037	(11,199)	113,838	108.74%	123,793	(446)	123,347	1,602,667
<b>TOTAL =</b>							2,760,830	(9,939)	2,750,891	1,602,667

**Key Assumptions for Cash Flow:**

- 1 Taxable market value (TMV) annual growth assumption = 1.00%
- 2 Original Tax Capacity Rate estimated based on Taxes Payable Year 2018.
- 3 Election for captured tax capacity is 100.00%
- 4 Base Tax Capacity is calculated based on a TMV = \$895,900.
- 5 Present value is calculated based on semi-annual payments, 4.0% interest rate, and date of 7/1/2020.
- 6 TMV is calculated based on 52 housing units at an estimated average value of \$150,000 per unit.

**Exhibit III**  
**City of Victoria**  
**Tax Increment Financing District No. 1-7**  
**Impact on Other Taxing Jurisdictions**  
**(Taxes Payable 2018)**  
**(Bethesda)**

**Annual Tax Increment**

Estimated Annual Captured Tax Capacity (Full Development)	\$113,838
Payable 2018 Local Tax Rate	108.744%
Estimated Annual Tax Increment	\$123,793

**Percent of Tax Base**

	<b>Net Tax Capacity (NTC)</b>	<b>Captured Tax Capacity</b>	<b>Percent of Total NTC</b>
City of Victoria	14,552,291	113,838	0.78%
Carver County	142,390,364	113,838	0.08%
ISD 112	84,460,958	113,838	0.13%

**Dollar Impact of Affected Taxing Jurisdictions**

	<b>Net Tax Capacity (NTC)</b>	<b>% of Total</b>	<b>Tax Increment Share</b>	<b>Added Local Tax Rate</b>
City of Victoria	31.495%	28.963%	35,854	0.246%
Carver County	37.436%	34.425%	42,616	0.030%
ISD 112	33.837%	31.117%	38,520	0.046%
Other	5.976%	5.495%	6,803	
Totals	108.744%	100.000%	123,793	

*NOTE NO. 1: Assuming that ALL of the captured tax capacity would be available to all taxing jurisdictions even if the City does not create the Tax Increment District, the creation of the District will reduce tax capacities and increase the local tax rate as illustrated in the above tables.*

*NOTE NO. 2: Assuming that NONE of the captured tax capacity would be available to the taxing jurisdiction if the City did not create the Tax Increment District, then the plan has virtually no initial effect on the tax capacities of the taxing jurisdictions. However, once the District is established, allowable costs paid from the increments, and the District is terminated, all taxing jurisdictions will experience an increase in their tax base.*

# TAX INCREMENT FINANCING (HOUSING) DISTRICT NO. 1-7

## Exhibit IV City of Victoria Tax Increment Financing (Housing) District No. 1-7 (Bethesda)

### Estimated Tax Increments Over Maximum Life of District

*Based on Pay 2018 Tax Rate = 108.744%      31.495%      37.436%      33.837%      5.976%*

TIF District	Taxes Payable Year	New Taxable Market Value	New Tax Capacity	Base Tax Capacity	Captured Tax Capacity	Estimated Total Tax Increment	City TIF Related Share	County TIF Related Share	School TIF Related Share	Other TIF Related Share
1	2021	3,900,000	48,750	(11,199)	37,551	40,835	11,827	14,058	12,706	2,244
2	2022	7,878,000	98,475	(11,199)	87,276	94,908	27,488	32,672	29,532	5,216
3	2023	7,956,780	99,460	(11,199)	88,261	95,979	27,798	33,041	29,865	5,275
4	2024	8,036,348	100,454	(11,199)	89,256	97,060	28,111	33,413	30,202	5,334
5	2025	8,116,711	101,459	(11,199)	90,260	98,153	28,428	33,789	30,542	5,394
6	2026	8,197,878	102,473	(11,199)	91,275	99,256	28,747	34,169	30,885	5,455
7	2027	8,279,857	103,498	(11,199)	92,299	100,370	29,070	34,553	31,232	5,515
8	2028	8,362,656	104,533	(11,199)	93,334	101,496	29,396	34,940	31,582	5,578
9	2029	8,446,282	105,579	(11,199)	94,380	102,632	29,725	35,332	31,936	5,639
10	2030	8,530,745	106,634	(11,199)	95,436	103,781	30,058	35,727	32,293	5,703
11	2031	8,616,053	107,701	(11,199)	96,502	104,940	30,394	36,126	32,654	5,766
12	2032	8,702,213	108,778	(11,199)	97,579	106,111	30,733	36,529	33,018	5,831
13	2033	8,789,235	109,865	(11,199)	98,667	107,294	31,075	36,937	33,386	5,896
14	2034	8,877,128	110,964	(11,199)	99,765	108,489	31,422	37,348	33,758	5,961
15	2035	8,965,899	112,074	(11,199)	100,875	109,696	31,771	37,763	34,133	6,029
16	2036	9,055,558	113,194	(11,199)	101,996	110,914	32,124	38,183	34,513	6,094
17	2037	9,146,113	114,326	(11,199)	103,128	112,145	32,480	38,607	34,896	6,162
18	2038	9,237,575	115,470	(11,199)	104,271	113,389	32,841	39,035	35,283	6,230
19	2039	9,329,950	116,624	(11,199)	105,426	114,644	33,204	39,467	35,673	6,300
20	2040	9,423,250	117,791	(11,199)	106,592	115,912	33,572	39,903	36,068	6,369
21	2041	9,517,482	118,969	(11,199)	107,770	117,193	33,943	40,344	36,466	6,440
22	2042	9,612,657	120,158	(11,199)	108,959	118,487	34,317	40,790	36,869	6,511
23	2043	9,708,784	121,360	(11,199)	110,161	119,794	34,696	41,240	37,276	6,582
24	2044	9,805,872	122,573	(11,199)	111,375	121,113	35,078	41,694	37,686	6,655
25	2045	9,903,930	123,799	(11,199)	112,600	122,446	35,464	42,153	38,101	6,728
26	2046	10,002,970	125,037	(11,199)	113,838	123,793	35,854	42,616	38,520	6,803
Total						2,760,830	799,616	950,429	859,075	151,710

Note: The Estimated Total Tax Increment shown above is before deducting the State Auditor's fee, which is payable at a rate of 0.36% of the Total Tax Increment collected. Exhibit II provides Estimated Total Tax Increment after deducting for the State Auditor's fee.

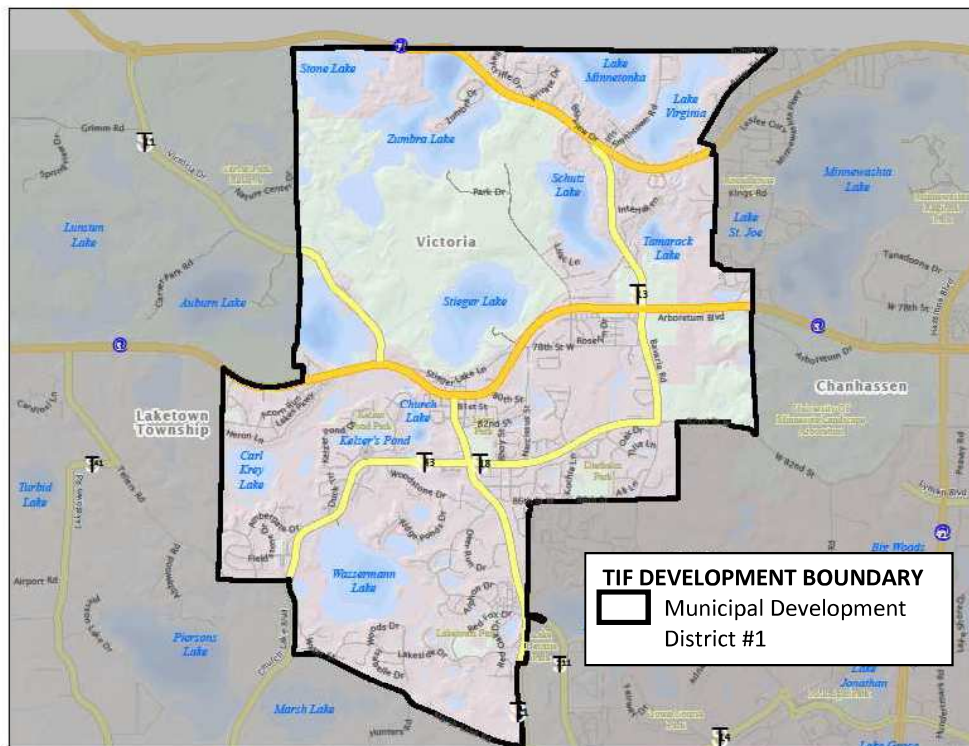
EXHIBIT V

Boundaries of Development District No. 1 and Tax Increment Financing District No. 1-7

City of Victoria TIF District #7 (Bethesda) & DEVELOPMENT BOUNDARY MAP (Date March 4, 2019)



Above: Location of Victoria TIF District #7 (Bethesda) | Below: Location of Development District Boundary





## Tammy Omdal

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**From:** Tammy Omdal  
**Sent:** Tuesday, April 7, 2020 12:03 PM  
**To:** dfrischmon@co.carver.mn.us  
**Cc:** Trisha Pollock; Marnie A. Fisher  
**Subject:** Request for Certification of Victoria TIF District 7  
**Attachments:** 5\_County Ltr Requesting Certification Victoria TIF 1-7.pdf; 3\_Resolution Establishing TIF District No 1-7.pdf; 4\_Adopted TIF Plan City of Victoria TIF 1-7.pdf; 6\_Certification Request Supplement.pdf; County Certification Form Victoria TIF 1-7.docx

Dave,

Please see the attached documents concerning this subject:

1. Letter requesting certification of TIF District 7
2. City of Victoria resolution approving establishment of TIF District 7
3. Adopted TIF Plan
4. Completed and signed certificate request supplement form
5. Form of the County Auditor certificate

Due to COVID-19 the attached documents are being sent to your attention electronically via email. If you require paper copies to be sent via USPS, please let me know and will accommodate at a future date.

Confirmation of receipt of this email and attached documents is respectively requested.

Thank you,

**Tammy Omdal**

Managing Director, Public Finance



Direct (612) 851-4964 | TF (800) 851-2920 | Cell (612) 202-8892

Mail 150 South Fifth Street, Suite 3300 | Minneapolis, MN 55402

Email [tomdal@northlandsecurities.com](mailto:tomdal@northlandsecurities.com)

Web [NorthlandSecurities.com](http://NorthlandSecurities.com)

Please consider the environment before printing this email.



VIA Email: [dfrischmon@co.carver.mn.us](mailto:dfrischmon@co.carver.mn.us)

April 7, 2020

Dave Frischmon, Property and Financial Services Director  
Carver County  
600 East Fourth St.  
Chaska, MN 55318

RE: Request for Certification of City of Victoria Tax Increment Financing (Housing) District No. 1-7

Dear Mr. Frischmon:

As required by State Law, the City of Victoria has, after public hearing, made the necessary findings and has established Tax Increment Financing (Housing) District No. 1-7 (the "District"). The City now requests certification of the Original Net Capacity of the parcel within the District (as required by Minnesota Statutes, Section 469.177(1)) and certification of the Original Local Tax Rate for the District (pursuant to Minnesota Statutes, Section 469.177(1a)). Please find enclosed the following documents:

1. A certified copy of the resolution adopted by the City Council on July 8, 2019, approving, among other things, the establishment of the District.
2. The Tax Increment Financing Plan of the District as adopted by the preceding resolution.
3. A completed and signed Certification Request Supplement form.
4. A copy of the form for the County Auditor's Certificate for the District. Please sign and return a copy to me.

No building permits were issued for parcels within the District during the 18 months preceding July 8, 2019.

Thank you for your assistance. Do not hesitate to call me with any questions.

Sincerely,

A handwritten signature in black ink that reads "Tammy Omdal". The signature is written in a cursive, flowing style.

Tammy Omdal  
Managing Director

Cc: Trisha Pollock, City of Victoria

## Tammy Omdal

---

**From:** Microsoft Outlook  
**To:** dfrischmon@co.carver.mn.us; Trisha Pollock  
**Sent:** Tuesday, April 7, 2020 12:04 PM  
**Subject:** Relayed: Request for Certification of Victoria TIF District 7

**Delivery to these recipients or groups is complete, but no delivery notification was sent by the destination server:**

[dfrischmon@co.carver.mn.us](mailto:dfrischmon@co.carver.mn.us) ([dfrischmon@co.carver.mn.us](mailto:dfrischmon@co.carver.mn.us))

[Trisha Pollock \(tpollock@ci.victoria.mn.us\)](mailto:tpollock@ci.victoria.mn.us)

Subject: Request for Certification of Victoria TIF District 7

## Tammy Omdal

---

**From:** David Frischmon <dfrischmon@co.carver.mn.us>  
**Sent:** Wednesday, April 15, 2020 11:26 AM  
**To:** Tammy Omdal  
**Subject:** Read: Request for Certification of Victoria TIF District 7  
**Attachments:** Read: Request for Certification of Victoria TIF District 7

EXTERNAL: Verify sender before opening attachments or clicking on links.

Disclaimer: Information in this message or an attachment may be government data and thereby subject to the Minnesota Government Data Practices Act, may be subject to attorney-client or work product privilege, may be confidential, privileged, proprietary, or otherwise protected. The unauthorized review, copying, retransmission, or other use or disclosure of the information is strictly prohibited. If you are not the intended recipient of this message, please immediately notify the sender of the transmission error and then promptly delete this message from your computer system.

**Tax Increment Financing District  
Certification Request Supplement**

---

1. Municipality Name: City of Victoria, Minnesota
2. District Name: Tax Increment Financing (Housing) District No. 1-7 (Bethesda)
3. ☒ New District      ☐ District Expansion      ☐ Hazardous Substance Subdistrict
4. District Type:
  - a. ☐ **Redevelopment** (M.S. 469.174, Subd. 10)  
Maximum duration: 25 years of tax increments
  - b. ☒ **Housing** (M.S. 469.174, Subd. 11)  
Maximum duration: 25 years of tax increments
  - c. ☐ **Renewal and Renovation** (M.S. 469.174, Subd. 10a)  
Maximum duration: 15 years of tax increments
  - d. ☐ **Housing Replacement** (1995 Laws, Chap. 264, Art. 5, Secs. 44-47; 1996 Laws, Chap. 471, Art. 7, Secs. 21-22; 1997 Laws, Chap. 231, Art. 10, Sec. 13; 1999 Laws, Chap. 248, Sec. 20)  
Maximum duration: 15 years of tax increments from each parcel
  - e. ☐ **Soils Condition** (M.S. 469.174, Subd. 19)  
Maximum duration: 20 years of tax increments
  - f. ☐ **Economic Development** (M.S. 469.174, Subd. 12)  
Maximum duration: 8 years of tax increments
5. Does the district have extended duration limits provided by a special law?  
☐ Yes      ☒ No      If yes, law citation: \_\_\_\_\_
6. Does the district's plan provide for any sharing of captured net tax capacity with the local taxing districts (M.S. 469.177, Subd. 2, Paragraph (a))?  
☐ Yes      ☒ No

7. Does the district's plan provide for its captured net tax capacity to be reduced by the fiscal disparity contribution (M.S. 469.177, Subd. 3)? *(Seven Metropolitan Counties and Taconite Tax Relief Area Counties Only)*

☐ Yes (Clause B Option)      ☒ No (Clause A Option) Not Applicable

8. Date the district plan was approved by the Municipality: July 8, 2019

9. District contact person

Name: Trisha Pollock, Finance Manager, Phone: (952) 443-4217

Address: City of Victoria, PO Box 36

Victoria, MN 55386

Signature: Trisha Pollock Date: 1/30/20

For the City of Victoria, Minnesota

**County Auditor Use Only**

10. Certification Request Date: \_\_\_\_\_

11. Certification Date: \_\_\_\_\_

12. Original Value and Tax Rate Year: Taxes Payable: \_\_\_\_\_

STATE OF MINNESOTA  
COUNTY OF CARVER

COUNTY AUDITOR'S CERTIFICATION  
AS TO ORIGINAL NET TAX CAPACITY AND  
ORIGINAL LOCAL TAX RATE FOR PROPERTIES  
WITHIN TAX INCREMENT FINANCING (HOUSING) DISTRICT  
NO. 1-7 IN THE CITY OF VICTORIA, MINNESOTA

I, the undersigned, being the duly qualified and acting County Auditor of Carver County, Minnesota (the "County"), DO HEREBY CERTIFY to the City of Victoria in said County (the "City"), pursuant to the provisions of Minnesota Statutes, Section 469.177, Subdivision 1, that the **Original Net Tax Capacity** of all taxable property within the tax increment district designated as Tax Increment Financing (Housing) District No. 1-7 (the "District") of said City, as described in the Tax Increment Financing Plan for the area approved by resolution of the City Council dated July 8, 2019 is **\$12,534**.

I also certify that such Original Net Tax Capacity is composed of the tax capacity of each parcel of taxable property within the District as determined by the assessment thereof in 2019 for taxes payable in 2020, this being the tax capacity most recently certified by the State of Minnesota as of the date when this certification was requested.

I also certify pursuant to the provisions of Minnesota Statutes, Section 469.177, Subdivision 1a, the **Original Local Tax Rate** that applies to the District is **104.37121917%**, this being the local tax rate for taxes payable in 2020.

WITNESS my hand and the seal of the County this 8th day of May, 2020.



  
County Auditor

City's record of request for certification date:  
April 7, 2020

Please indicate the identification  
number assigned by the County

907-0

Please indicate the "Certification Request Date"  
you placed in the County's systems:

April 7, 2020

Actual Certification Date:

May 8, 2020

**EXHIBIT A**  
**TO**  
**CERTIFICATE AS TO ORIGINAL NET TAX CAPACITY**  
**AND ORIGINAL LOCAL TAX RATE**

Parcels Within  
Tax Increment Financing (Housing) District No. 1-7  
City of Victoria, Minnesota

<b>Parcel Number(s):</b>	<b>Market Value:</b>	<b>Classification:</b>	<b>Tax Capacity:</b>
65.2420010	\$1,002,700	4A	\$12,534

At time of establishment of the TIF District, the TIF District includes parcel numbers 65.0800020, 65.0800031, and the adjacent roads and right-of-way. The property within the TIF District is legally described as follows:

*Lot 2, Block 1, ARETZ FIRST ADDITION, together with the West 50 feet of Lot 3, Block 1, ARETZ FIRST ADDITION, Carver County, Minnesota.*

*New Parcel 65.2420010*

*Lot 1, Block 1, CORNERSTONE VICTORIA, Carver County, Minnesota*



**Victoria - TIF Plan Collection Form - TIF District 7 (Bethesda) - New District**[Home](#)[District Information](#)[Plan Estimates](#)

---

**Tax Increment Financing Plan Reporting Form**

---

This form is used to report a new TIF District to the OSA. It must be submitted to the OSA before the annual form for this district can be generated.

**Important Information for Completing SAFES Forms**

The OSA has become aware of an issue affecting some reporting forms that are downloaded from the State Auditor's Form Entry System (SAFES), which could include this form.

**Please press the Ctrl, Alt, and F9 keys at the same time** to ensure that all calculations on your form are correct. Pressing these keys at the same time forces the form to recalculate and will resolve the issue. Please do this when you first open the form and again just before submitting the form, at a minimum.

Please feel free to contact us at [safes@osa.state.mn.us](mailto:safes@osa.state.mn.us) with any questions.

**What the red messages indicate**

---

The red messages in the right margin of the form indicate that data must be entered or corrected before the reporting form can be submitted. Once the data has been entered or corrected, the red message will no longer be displayed.

The table below accurately reflects the number of red messages currently on your form. As you complete the form, refer to this table to see the number of red messages remaining to be filled/corrected before you can submit the form.

Tab Name	Red Messages Remaining
<a href="#">District Information</a>	0
<a href="#">Plan Estimates</a>	0
<b>TOTAL COUNT</b>	<b>0</b>

**Detailed instructions for completing this form**

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Detailed instructions on how to complete this form are available by clicking the link below.

[CLICK HERE for detailed reporting instructions](#)

**Statements of Position on TIF topics are available for reference**

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The Office of the State Auditor prepares Statements of Position to provide an educational resource to local governments, auditors and the public. Statements of Position are not legal advice and should not be relied upon in lieu of legal advice.

[CLICK HERE for a list of all TIF Statements of Position](#)

**Saving your files**

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Use the SAVE AS command and choose the location to save your files on your computer. Otherwise, they will be saved to a temporary location, making them difficult to locate when you are ready to upload.

**Do you have additional information?**

---

A comment box is available at the end of the reporting form. Please use the comment box as needed to share information that may be pertinent to the reporting form. If your comment exceeds the space available on the reporting form, you may email the TIF Division to share the information.

[TIF@osa.state.mn.us](mailto:TIF@osa.state.mn.us)

# Victoria - TIF Plan Collection Form - TIF District 7 (Bethesda) - New District

Home District Information Plan Estimates

## Tax Increment Financing Plan Collection Form - New District

### District Information

1	TIF District Name:	TIF District 7 (Bethesda)	
2	Development Authority:	Victoria	
3	County Where TIF District is Located:	Carver	3a Multiple? No
4	County Identification Number, if any:		
5	Municipality Approving TIF District:	Victoria [City]	
6	City/Town Where TIF District Is Located:	Victoria [City]	6a Multiple? No
7	District Type:	Housing	
8	If uncodified law, specify law:		
9	For Economic Development districts only: (choose "N/A" for all other districts)		
a	Is the Small City Exception being used?	N/A	
b	Is the district used for a Workforce Housing Project?	N/A	
10	Who drafted the TIF plan?	Northland Securities, Inc.	
11	Other:		
12	Is this TIF district in a fiscal disparities area?	Yes	
13	If yes, indicate whether the fiscal disparities deduction is calculated under option A (outside the district) or option B (inside the district).	Option B	

### TIF Plan References

In this column, identify the first page or section of the TIF plan where the information is located.

### Original TIF Plan Information

14	TIF Plan Approval Date:	07/08/2019
15	Certification Request Date:	04/07/2020
16	Certification Date:	

### Hazardous Substance Subdistrict Information

17	Did this plan create a hazardous substance subdistrict?	No
18	Hazardous Substance Subdistrict Certification Request Date:	
19	Hazardous Substance Subdistrict Certification Date:	

### Special Legislation

20	Was any special legislation enacted for this district?	No																									
21	<table border="1"> <thead> <tr> <th>A</th> <th>B</th> <th>C</th> <th>D</th> </tr> <tr> <th>Year</th> <th>Chapter</th> <th>Article</th> <th>Section</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>			A	B	C	D	Year	Chapter	Article	Section	1				2				3				4			
A	B	C	D																								
Year	Chapter	Article	Section																								
1																											
2																											
3																											
4																											

### District Duration

22	Anticipated month and year of first receipt of tax increment (MM/YYYY):	07/2021
23	Has an election to delay the first receipt of tax increment been identified in the TIF Plan?	No
24	Required Decertification Date of the district is based on:	Statutory Maximum Duration
25	Required Decertification Date:	12/31/2046

# Victoria - TIF Plan Collection Form - TIF District 7 (Bethesda) - New District

[Home](#)
[District Information](#)
[Plan Estimates](#)

## TIF Plan Estimates - New District

### ESTIMATED TAX INCREMENT REVENUES

(from tax increment generated by the district)

1	Tax increment revenues distributed from the county	\$2,760,000
2	Interest and investment earnings	\$20,000
3	Sales/lease proceeds	\$0
4	TIF Credits	\$0
5	<b>Total Estimated Tax Increment Revenues</b>	<b>\$2,780,000</b>

### ESTIMATED PROJECT/FINANCING COSTS

(to be paid or financed with tax increment)

Project costs

6	Land/building acquisition	\$0
7	Site improvements/preparation costs	\$0
8	Utilities	\$0
9	Other public improvements	\$0
10	Construction of affordable housing	\$1,280,000
11	Small city authorized costs, if not already included above	
12	Administrative costs	\$276,000
13	<b>Estimated Tax Increment Project Costs</b>	<b>\$1,556,000</b>

Estimated financing costs

14	Interest expense	\$1,224,000
----	------------------	-------------

15	<b>Total Estimated Project/Financing Costs to be Paid From Tax Increment</b>	<b>\$2,780,000</b>
----	--	--------------------

### Estimated Financing

16	Total amount of bonds to be issued	\$2,780,000
----	------------------------------------	-------------

Comments (1,000 character limit):

17

### TIF Plan References

In this column, identify the first page or section of the TIF plan where the information is located.

Page 6

Page 6

Page 6

Page 6

## Tammy Omdal

---

**From:** Tammy Omdal  
**Sent:** Tuesday, March 12, 2019 4:52 PM  
**To:** tworkman@co.carver.mn.us  
**Cc:** Pat Smith; Marnie A. Fisher  
**Subject:** Notice for City of Victoria Proposed TIF (Housing) District No. 1-7  
**Attachments:** City of Victoria Notice to County Commissioner Workman for TIF 1-7.pdf

Dear Commissioner Workman,

Please see the attached letter and request for your signature regarding this subject. This letter is also being sent to your attention via USPS.

Thank you,

**Tammy Omdal**  
Managing Director, Public Finance



Direct (612) 851-4964 | TF (800) 851-2920 | Cell (612) 202-8892  
Mail 150 South Fifth Street, Suite 3300 | Minneapolis, MN 55402  
Email [tomdal@northlandsecurities.com](mailto:tomdal@northlandsecurities.com)  
Web [NorthlandSecurities.com](http://NorthlandSecurities.com)

Please consider the environment before printing this email.



Sent Via Email and USPS

March 12, 2019

Tom Workman, County Commissioner (District 2)  
Carver County  
600 East 4<sup>th</sup> Street  
Chaska, MN 55318

RE: City of Victoria Proposed Establishment of Tax Increment Financing (Housing)  
District No. 1-7

Dear Commissioner Workman:

This letter and information is provided to you pursuant to Minnesota Statutes, Section 469.175 (2a). The City of Victoria (the "City") is considering the establishment of Tax Increment Financing District (Housing) No. 1-7 (the "District"). The establishment of the District will require modification of the City's existing Municipal Development District No. 1. The purpose for the establishment of the District is to assist with the redevelopment of property for the purpose of housing.

Bethesda Lutheran Communities is proposing to redevelop the 4.33 acre property located at 1501 82nd Street, within the City, into an independent adult living community that will be age restricted to residents that are 55 years and older. All the existing buildings will be removed and replaced with new housing comprised of a 37-unit three story garden apartment home building with a community center, and four single level townhouse style home pods consisting of 15 apartment home units for a total of 52 apartment homes.

The hearing on the proposed modification and establishment of the TIF District is planned for Monday, April 22, 2019, at approximately 6:30 p.m., at the City of Victoria City Hall. We welcome your comments. Any written comments will be included in the record for the hearing. Additionally, we would be happy to discuss the proposed District, to answer your questions and to provide additional information. Do not hesitate to contact me directly or Patrick Smith, the City of Victoria Community Development Director.

I respectfully request that you sign the attached receipt and return it to me via email, [tomdal@northlandsecurities.com](mailto:tomdal@northlandsecurities.com), or by U.S. Mail in the self-addressed stamped envelope that will be mailed to you along with this letter via U.S. Postal Service. Thank you for your review and consideration of the proposed District.

Sincerely,  
NORTHLAND SECURITIES, INC.

A handwritten signature in black ink that reads "Tommy Omdal". The signature is written in a cursive, flowing style.

Tommy Omdal  
Managing Director, Public Finance

cc: Patrick Smith, City of Victoria

**Attachment**

**Receipt of Notice**

I have received notice of the City of Victoria public hearing planned for Monday, April 22, 2019 regarding the proposed modification of Municipal Development District No. 1 and the establishment of Tax Increment Financing District (Housing) District No. 1-7. I hereby waive receipt of the foregoing notice 30 days in advance of publication of the notice of such public hearing.

---

Tom Workman  
Carver County Commissioner, District 2

## Tammy Omdal

---

**From:** Tammy Omdal  
**Sent:** Friday, March 22, 2019 11:14 AM  
**To:** ldavies@co.carver.mn.us  
**Cc:** Pat Smith; Marnie A. Fisher; 'jboulton@kennedy-graven.com'  
**Subject:** Notice for City of Victoria Proposed Establishment of Tax Increment Financing District No. 1-7  
**Attachments:** Notice to County for Victoria TIF Dist 1-7.pdf; City of Victoria Draft TIF Plan for TIF 1-7 as of 22MAR2019.pdf

Please see the attached letter and document regarding this subject.

Thank you,

**Tammy Omdal**

Managing Director, Public Finance



Direct (612) 851-4964 | TF (800) 851-2920 | Cell (612) 202-8892

Mail 150 South Fifth Street, Suite 3300 | Minneapolis, MN 55402

Email [tomdal@northlandsecurities.com](mailto:tomdal@northlandsecurities.com)

Web [NorthlandSecurities.com](http://NorthlandSecurities.com)

Please consider the environment before printing this email.





VIA Email: [ldavies@co.carver.mn.us](mailto:ldavies@co.carver.mn.us) and USPS

March 22, 2019

Laurie Davies, Manager Taxpayer Services  
Carver County  
600 East 4th Street  
Chaska, MN 55318-2102

RE: Notice for City of Victoria Proposed Tax Increment Financing (Housing) District No. 1-7

Dear Ms. Davies:

On behalf of the City of Victoria, Minnesota (the "City") enclosed please find one copy of the proposed draft Tax Increment Financing Plan (the "TIF Plan") for Tax Increment Financing (Housing) District No. 1-7 (the "TIF District"). The TIF Plan will be considered by the City Council at a public hearing to be held on Monday, April 22 at approximately 6:30 p.m. at Victoria City Hall.

The City proposes to provide tax increment financing assistance to facilitate redevelopment of property. Bethesda Lutheran Communities is proposing to redevelop an approximate 4.33 acre property located at 1501 82nd Street, within the City, into an independent adult living community that will be age restricted to residents that are 55 years and older. All the existing buildings will be removed and replaced with new housing comprised of a 37-unit three story garden apartment home building with a community center, and four single level townhouse style home pods consisting of 15 apartment home units for a total of 52 apartment homes.

The TIF Plan contains the plan for achieving the objectives of the modified Development Program for Development District No. 1 through the establishment and use of the TIF District.

Exhibits III and IV of the TIF Plan illustrate the estimated fiscal and economic impacts on the School and County from the proposed TIF district. Please note that the TIF plan is in draft form. The draft of the TIF plan will be finalized prior to the public hearing. We will provide you with a revised plan if any substantial revisions to the draft are proposed.

We invite you to submit comments on the proposed TIF Plan, to attend the public hearing or to direct any comments or questions that you may have to Patrick Smith, Community Development Director for the City of Victoria at (952) 443-4219.

Sincerely,

A handwritten signature in cursive script that reads "Tammy Omdal".

Tammy Omdal  
Managing Director

cc: Patrick Smith, City of Victoria  
Attachment (1)

## Tammy Omdal

---

**From:** Tammy Omdal  
**Sent:** Friday, March 22, 2019 11:12 AM  
**To:** ChristopherC@district112.org  
**Cc:** Pat Smith; Marnie A. Fisher  
**Subject:** Notice for City of Victoria Proposed Establishment of Tax Increment Financing District No. 1-7  
**Attachments:** Notice to School for Victoria TIF Dist 1-7.pdf; City of Victoria Draft TIF Plan for TIF 1-7 as of 22MAR2019.pdf

Please see the attached letter and document regarding this subject.

Thank you,

**Tammy Omdal**

Managing Director, Public Finance



Direct (612) 851-4964 | TF (800) 851-2920 | Cell (612) 202-8892

Mail 150 South Fifth Street, Suite 3300 | Minneapolis, MN 55402

Email [tomdal@northlandsecurities.com](mailto:tomdal@northlandsecurities.com)

Web [NorthlandSecurities.com](http://NorthlandSecurities.com)

Please consider the environment before printing this email.



VIA Email: [ChristopherC@district112.org](mailto:ChristopherC@district112.org) and USPS

March 22, 2019

Clint Christopher, Superintendent  
Eastern Carver County Public Schools  
11 Peavey Road  
Chaska, Minnesota 55318

RE: Notice for City of Victoria Proposed Tax Increment Financing (Housing) District No. 1-7

Dear Mr. Christopher:

On behalf of the City of Victoria, Minnesota (the "City") enclosed please find one copy of the proposed draft Tax Increment Financing Plan (the "TIF Plan") for Tax Increment Financing (Housing) District No. 1-7 (the "TIF District"). The TIF Plan will be considered by the City Council at a public hearing to be held on Monday, April 22 at approximately 6:30 p.m. at Victoria City Hall.

The City proposes to provide tax increment financing assistance to facilitate redevelopment of property. Bethesda Lutheran Communities is proposing to redevelop an approximate 4.33 acre property located at 1501 82nd Street, within the City, into an independent adult living community that will be age restricted to residents that are 55 years and older. All the existing buildings will be removed and replaced with new housing comprised of a 37-unit three story garden apartment home building with a community center, and four single level townhouse style home pods consisting of 15 apartment home units for a total of 52 apartment homes.

The TIF Plan contains the plan for achieving the objectives of the modified Development Program for Development District No. 1 through the establishment and use of the TIF District.

Exhibits III and IV of the TIF Plan illustrate the estimated fiscal and economic impacts on the School and County from the proposed TIF district. Please note that the TIF plan is in draft form. The draft of the TIF plan will be finalized prior to the public hearing. We will provide you with a revised plan if any substantial revisions to the draft are proposed.

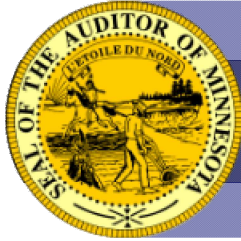
We invite you to submit comments on the proposed TIF Plan, to attend the public hearing or to direct any comments or questions that you may have to Patrick Smith, Community Development Director for the City of Victoria at (952) 443-4219.

Sincerely,

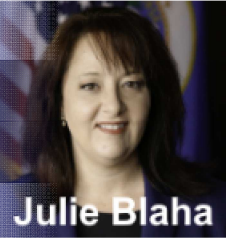
A handwritten signature in cursive script that reads "Tammy Omdal".

Tammy Omdal  
Managing Director

cc: Patrick Smith, City of Victoria  
Attachment (1)



# Minnesota Office of the State Auditor



Julie Blaha

## SAFES Submission Successful

[Contact Info \(/SAFES/Contact/Edit\)](/SAFES/Contact/Edit)

[Submit Documents \(/SAFES/Document/Submit\)](/SAFES/Document/Submit)

[Forms \(/SAFES/Document/List\)](/SAFES/Document/List)

[CTAS \(/SAFES/Ctas/Index\)](/SAFES/Ctas/Index)

[User Maintenance \(/SAFES/User/Update\)](/SAFES/User/Update)

[Logout \(/SAFES/Default/Logout\)](/SAFES/Default/Logout)

Your submission has been received.

### Document Status

**Document** TIF Plan Collection Form - New District

**Entity** New District (04/07/2020)

**Year** 0

**Confirmation ID** 42bacd80-9cfa-49d8-ba62-dbeb1b6a5f2e

**Submission  
Date** 4/7/2020 12:12:59 PM

[Submit Another Document \(/safes/Document/Submit\)](/safes/Document/Submit)

## Tammy Omdal

---

**From:** MN Office of the State Auditor - SAFES Support <safes@osa.state.mn.us>  
**Sent:** Tuesday, April 7, 2020 12:13 PM  
**To:** Tammy Omdal  
**Subject:** State Auditor Form Submission

EXTERNAL: Verify sender before opening attachments or clicking on links.

\*\*\* THIS IS AN AUTOMATED EMAIL MESSAGE. PLEASE DO NOT REPLY. \*\*\*

This email is confirmation that the Office of the State Auditor has received the 0 TIF Plan Collection Form - New District that you recently submitted for New District (04/07/2020).

The submission Confirmation ID for this document is:  
42bacd80-9cfa-49d8-ba62-dbeb1b6a5f2e

If you did not submit this form or if you have questions regarding this submission, please contact Office of the State Auditor at safes@osa.state.mn.us.

Thank you.

## Tammy Omdal

---

**From:** Tammy Omdal  
**Sent:** Tuesday, April 7, 2020 12:16 PM  
**To:** 'DataAnalysis.MDOR@state.mn.us'  
**Subject:** City of Victoria TIF District 7  
**Attachments:** 3\_Resolution Establishing TIF District No 1-7.pdf; 4\_Adopted TIF Plan City of Victoria TIF 1-7.pdf

Please see the attached documents regarding this subject:

1. Resolution establishing City of Victoria TIF District 7
2. Adopted TIF Plan

Thank you,

**Tammy Omdal**

Managing Director, Public Finance



Direct (612) 851-4964 | TF (800) 851-2920 | Cell (612) 202-8892

Mail 150 South Fifth Street, Suite 3300 | Minneapolis, MN 55402

Email [tomdal@northlandsecurities.com](mailto:tomdal@northlandsecurities.com)

Web [NorthlandSecurities.com](http://NorthlandSecurities.com)

Please consider the environment before printing this email.

**City of Victoria**  
**Tax Increment Financing District No. 1-7**  
**Key Dates as Estimated at Time of Certification**

7/8/2019	Public hearing on TIF Plan and approval of establishment of TIF District.
7/8/2019	Date of TIF Plan approval.
4/7/2020	Date of request for certification of TIF District to county auditor.
5/8/2020	Certification Date per County Auditor Certificate.
8/1/2021	First increment received
5/8/2024	Four-year knock-down rule qualifying activity date. Qualifying activity must have occurred on each parcel within the TIF district by this date. If a qualifying activity has not occurred by this date, for purposes of calculating tax increment the county auditor is required to remove the parcel from the TIF district. This rule requires (for the next taxes payable year) the county to exclude from the original net tax capacity of the entire district, the original net tax capacity of any parcel on which no qualifying activity has commenced within four years after certification. If activity subsequently commences on such parcel, the county will add its most recent tax capacity back on to the original net tax capacity of the entire district.
2/1/2025	Four-year knock-down rule goes into effect. The authority must submit to the county auditor evidence that a required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district.
5/8/2025	The geographic area of the TIF district may be reduced, but shall not be enlarged after five years following the date of certification of the original net tax capacity by the county auditor.
5/8/2025	Five-year rule goes into effect. Revenues derived from tax increments must be spent or committed before or within five-years of the certificate date, per MS 469.1763, Subd. 3.
12/31/2046	Required decertification of TIF District (assuming collection of first increment is as estimated).

\* The date shown in a "box" above are estimated dates. The final dates will be dependent on activity or a future event that has not yet occurred.



## **RESOLUTION NO. 2019-43**

### **A RESOLUTION APPROVING AND AUTHORIZING THE EXECUTION OF A TIF ASSISTANCE AGREEMENT**

**WHEREAS**, the City of Victoria, Minnesota (the “City”) has established Tax Increment Financing (Housing) District No. 1-7 (Bethesda) (the “TIF District”) within Development District No. 1 (the “Development District”), and adopted the Tax Increment Financing Plan therefor for the purpose of financing certain improvements within the Development District;

**WHEREAS**, the City has reviewed a proposal by Bethesda Lutheran Communities, Inc. (the “Developer”) to redevelop the property in the TIF District (the “Development Property”) and construct thereon an approximately 52-unit affordable senior multifamily rental housing development, including an approximately 37-unit, three story apartment building and an approximately 15-unit single-level townhome development, and all related amenities and improvements (the “Project”).

**WHEREAS**, the City has determined that it is reasonable and necessary to provide certain financial assistance to the Developer in order to facilitate Developer’s plans for the Project and the Development Property, and to that end, the City has negotiated a TIF Assistance Agreement between the City and Developer (the “TIF Assistance Agreement”);

**NOW THEREFORE BE IT RESOLVED** by the City Council of the City of Victoria, Minnesota (the “Council”) as follows:

1. The City hereby approves the TIF Assistance Agreement in substantially the form presented to the Council, together with any related documents necessary in connection therewith, including without limitation all documents referenced in or attached to the TIF Assistance Agreement, (collectively, the “Development Documents”) and hereby authorizes and directs the Mayor and the City Manager to execute the Development Documents on behalf of the City.
2. The approval hereby given to the Development Documents includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by legal counsel to the City and by the officers authorized herein to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the City. The execution of any instrument by the appropriate officers of the City herein authorized shall be conclusive evidence of the approval of such document in accordance with the terms hereof. In the event of absence or disability of the officers, any of the Development Documents authorized by this Resolution to be executed may be executed without further act or authorization of the Council by any duly designated acting official, or by such other officer or officers of the Council as, in the opinion of the City Attorney, may act in their behalf.




3. Upon execution and delivery of the Development Documents, the officers and employees of the City are hereby authorized and directed to take or cause to be taken such actions as may be necessary on behalf of the City to implement the Development Documents, including without limitation the issuance of a TIF Note, the payment of tax increments thereunder to the Developer to reimburse certain costs of the Project, and execution of any documents or certifications to which the City is a party referenced in or attached to the Development Documents, when all conditions precedent thereto have been satisfied.
4. The authority to approve, execute and deliver future amendments to the Agreement and any consents required under the Agreement is hereby delegated to the City Manager of the City, subject to the following conditions: (a) such amendments or consents do not materially adversely affect the interests of the City; (b) such amendments or consents do not contravene or violate any policy of the City, and (c) such amendments or consents are acceptable in form and substance to the counsel retained by the City to review such amendments or consents. The authorization hereby given shall be further construed as authorization for the execution and delivery of such certificates and related items as may be required to demonstrate compliance with the Agreement, as amended, and the terms of this Resolution. The execution of any instrument by the Manager at the direction of the City Manager shall be conclusive evidence of the approval of such instruments in accordance with the terms hereof. In the absence of the Manager, any instrument authorized by this paragraph to be executed and delivered may be executed by the officer of the City authorized to act in his/her place and stead.

Councilmember	Aye	Nay	Abstain	Absent
Tom Funk		X		
Judy Black	X			
Tom Gregory		X		
Deb McMillan	X			
Tom Vogt	X			

Adopted this 8th day of July, 2019.

  
Thomas C. Funk, Mayor

ATTEST:

  
Cindy Patnode, City Clerk

TIF ASSISTANCE AGREEMENT

BETWEEN

CITY OF VICTORIA, MINNESOTA

AND

BETHESDA CORNERSTONE VILLAGE-VICTORIA, LLC

This document drafted by:  
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## TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS .....	2
Section 1.1.    Definitions.....	2
ARTICLE II REPRESENTATIONS AND WARRANTIES .....	6
Section 2.1.    Representations and Warranties of the City.....	6
Section 2.2.    Representations and Warranties of the Developer.....	6
ARTICLE III UNDERTAKINGS BY DEVELOPER AND CITY .....	8
Section 3.1.    Total Development Costs and Public Costs.....	8
Section 3.2.    TIF Note.....	8
Section 3.3.    Income and Rent Restrictions .....	10
Section 3.4.    Developer to Pay City’s Fees and Expenses.....	11
Section 3.5.    Execution of Assessment Agreement. ....	11
Section 3.6.    Compliance with Environmental Requirements. ....	12
Section 3.7.    Construction Plans. ....	12
Section 3.8.    Commencement and Completion of Construction.....	13
Section 3.9.    Certificate of Completion. ....	14
Section 3.10.    Encumbrance of the Development Property. ....	14
Section 3.11.    Business Subsidy Act.....	15
Section 3.12.    Right to Collect Delinquent Taxes.....	15
Section 3.13..    Review of Taxes. ....	15
ARTICLE IV EVENTS OF DEFAULT .....	17
Section 4.1.    Events of Default Defined .....	17
Section 4.2.    Remedies on Default.....	17
Section 4.3.    No Remedy Exclusive.....	18
Section 4.4.    No Implied Waiver .....	18
Section 4.5.    Indemnification of City.....	18
Section 4.6.    Reimbursement of Attorneys’ Fees. ....	19
ARTICLE V ADDITIONAL PROVISIONS .....	20
Section 5.1.    Restrictions on Use .....	20
Section 5.2.    Reports .....	20
Section 5.3.    Limitations on Transfer and Assignment.....	20
Section 5.4.    Conflicts of Interest.....	22
Section 5.5.    Titles of Articles and Sections .....	22
Section 5.6.    Notices and Demands .....	22
Section 5.7.    No Additional Waiver Implied by One Waiver.....	22
Section 5.8.    Counterparts .....	23
Section 5.9.    Law Governing .....	23
Section 5.10.    Term; Termination .....	23
Section 5.11.    Provisions Surviving Rescission, Expiration or Termination.....	23
Section 5.12.    Superseding Effect. ....	23
Section 5.13.    Relationship of Parties .....	23
Section 5.14.    Venue .....	23

Section 5.15. Estoppel Certificates .....	23
EXHIBIT A DESCRIPTION OF TIF DISTRICT .....	A-1
EXHIBIT B LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY.....	B-1
EXHIBIT C PUBLIC DEVELOPMENT COSTS.....	C-1
EXHIBIT D FORM OF TAXABLE TIF NOTE.....	D-1
EXHIBIT E TOTAL DEVELOPMENT COSTS.....	E-1
EXHIBIT F DECLARATION OF RESTRICTIVE COVENANTS .....	F-1
EXHIBIT G FORM OF MINIMUM ASSESSMENT AGREEMENT .....	G-1
EXHIBIT H PERMITTED ENCUMBRANCES .....	H-1
EXHIBIT I CERTIFICATE OF COMPLETION OF PROJECT.....	I-1
EXHIBIT J SAMPLE RENT SUBSIDY CALCULATION .....	J-1

## TIF ASSISTANCE AGREEMENT

THIS AGREEMENT, made as of the 9th day of July, 2019, by and between the City of Victoria (the "City"), a municipal corporation and political subdivision under the laws of the State of Minnesota, and Bethesda Cornerstone Village-Victoria, LLC, a Wisconsin limited liability company (the "Developer").

WITNESSETH:

WHEREAS, pursuant to Minnesota Statutes, Section 469.124 through 469.134, as amended (the "Municipal Development Act"), the City has undertaken a program to promote the development and redevelopment of land which is underutilized or characterized by blight within the City, and in connection therewith created Development District No. 1 (the "Development District") and adopted a Development Program therefor (the "Development Program"); and

WHEREAS, pursuant to the provisions of Minnesota Statutes, Section 469.174 through 469.1794, as amended, (the "TIF Act"), the City has created, within the Development District, Tax Increment Financing (Housing) District No. 1-7 (Bethesda) qualified as a housing tax increment financing district (the "TIF District"), the legal description of which is attached hereto as **Exhibit A**, and has adopted a tax increment financing plan therefor approved by the City Council of the City on July 8, 2019 (the "TIF Plan") which provides for the use of tax increment financing in connection with certain development within the Development District and TIF District; and

WHEREAS, the Developer proposes the redevelopment of the property in the TIF District and construction of approximately 52-unit affordable senior multifamily rental housing development, including an approximately 37-unit, three story apartment building and an approximately 15-unit single-level townhome development, and all related amenities and improvements, to be constructed, owned and operated by the Developer on property within the TIF District (the "Project"); and

WHEREAS, the Developer has requested that the City use tax increment financing to assist the Developer with certain costs thereof in order to fill the gap between the Total Development Costs (as hereinafter defined) and the funds available to pay such costs;

NOW, THEREFORE, in consideration of the premises and the mutual obligations of the parties hereto, each of them does hereby covenant and agree with the other as follows:

## ARTICLE I

### DEFINITIONS

Section 1.1. Definitions. All capitalized terms used and not otherwise defined herein shall have the following meanings unless a different meaning clearly appears from the context:

Administrative Costs has the meaning set forth in Section 3.4;

Affiliate means any person directly or indirectly controlling or controlled by or under direct or indirect common control with a person and any purchaser of all or substantially all of the assets of such person. For this purpose, "control" means the power to direct management and policies, directly or indirectly, whether through ownership of at least a majority of its voting securities, or the right to designate or elect at least a majority of the members of its governing body, or by contract, or by other arrangements, and the terms "controlling" and "controlled" have correlative meanings;

Agreement means this TIF Assistance Agreement, as the same may be from time to time modified, amended or supplemented;

Architect means QPK Design, LLP, in Syracuse, New York as the architect for the Project;

Assessment Agreement means the minimum assessment agreement, in substantially the form of the agreement attached as **Exhibit G** hereto and made a part of this Agreement, between the Developer and the City.

Available Tax Increments means the Tax Increments received by the City less the amount of Tax Increments, if any, which the City must pay to the school district, the City, the County and the State pursuant to the TIF Act including, without limitation, Minnesota Statutes, Sections 469.177, Subds. 9, 10, and 11; 469.176, Subd. 4h; and 469.175, Subd. 1a, as the same may be amended from time to time;

Business Day means any day except a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City are authorized by law or executive order to close;

Certificate of Completion means a Certificate of Completion with respect to the Project executed by the City pursuant to Section 3.9;

City means the City of Victoria, Minnesota;

Completion Date means the date on which the Certificate of Completion with respect to the Project is executed by the City pursuant to Section 3.9;

Construction Costs means the capital costs of the construction of the Project, including the costs of labor and materials; construction management and supervision expenses; insurance and payment or performance bond premiums; architectural and engineering fees and expenses;

property taxes; usual and customary fees or costs payable to the City or any other public body with regulatory authority over construction of the Project (e.g. building permits and inspection fees); the developer fee; and all other costs chargeable to the capital account of the Project under generally accepted accounting principles;

Construction Documents means shall mean the following documents, all of which shall be in form and substance acceptable to City: (a) evidence satisfactory to City showing that the Project conforms to applicable zoning, subdivision and building code laws and ordinances, including a copy of the building permit for the Project; (b) a copy of the executed standard form of agreement between owner and architect for architectural services for the Project, if any, and (c) a copy of the executed General Contractor's contract for the Project, if any;

Construction Loan means any loan or loans to be made to provide financing for the construction of the Minimum Improvements;

Construction Plans means the plans, specifications, drawings and related documents for the construction of the Project, which shall be as detailed as the plans, specifications, drawings and related documents which are submitted to the building inspector of the City;

County means Carver County, Minnesota;

Declaration means the Declaration of Restrictive Covenants in substantially the form attached hereto as **Exhibit F**;

Developer means Bethesda Cornerstone Village-Victoria, LLC, a Wisconsin limited liability company, and its authorized successors and assigns;

Design Drawings means the floor plans, renderings, elevations and material specifications for the Project prepared by the Architect;

Development Property means the real property legally described in **Exhibit B** attached to this Agreement;

Event of Default means any of the events described in Section 4.1 hereof;

Final Payment Date means the earlier of (i) the date on which the entire principal and accrued interest on the TIF Note has been paid in full; or (ii) February 1, 2047; or (iii) any earlier date this Agreement or the TIF Note is cancelled in accordance with the terms hereof or deemed paid in full; or (iv) the February 1 following the date the TIF District is terminated in accordance with the TIF Act; or (v) the date the City cancels the TIF Note upon a written request for termination from the Developer and a determination in the City's sole discretion that such termination will not limit or interfere with the City's ability to pool Tax Increments generated by the TIF District for affordable housing in accordance with the TIF Act (provided that there shall be no payment of any Tax Increments on such date unless it is a regular Payment Date);

General Contractor means Kraus Anderson, in Minneapolis Minnesota as the general contractor for the Project;

Loan Closing Statement means the closing statement executed by the Developer in connection with the closing on the Developer's initial Construction Loan for the Project;

Payment Date means August 1, 2021 and each February 1 and August 1 thereafter to and including the Final Payment Date; provided, that if any such Payment Date should not be a Business Day, the Payment Date shall be the next succeeding Business Day;

Permitted Encumbrances means those encumbrances set forth in **Exhibit H**;

Pledged Tax Increments means for any six month period, 90% of the Available Tax Increments received by the City since the previous Payment Date;

Project means the redevelopment of the property in the TIF District and construction of an approximately 52-unit affordable senior multifamily rental housing development, including an approximately 37-unit, three story apartment building and an approximately 15-unit single-level townhome development, and all related amenities and improvements, to be constructed, owned and operated by the Developer on the Development Property;

Public Development Costs means the Public Development Costs of the Project identified on **Exhibit C** attached hereto and any other cost incurred by the Developer, or its assigns, that the City determines is eligible for reimbursement with Pledged Tax Increments;

Reimbursement Amount means the lesser of (i) \$1,280,000 or (ii) the Public Development Costs actually incurred and paid by the Developer;

Rent Subsidy means the rent subsidy calculated in accordance with Section 3.3(5);

Site Plan means the site plan prepared for the Development Property approved by the City;

State means the State of Minnesota;

Tax Increments means the tax increments derived from the TIF District and the improvements thereon which have been received and are permitted to be retained by the City in accordance with the TIF Act including, without limitation, Minnesota Statutes, Section 469.177, as amended;

Termination Date means the earlier of: (i) the date the TIF District is terminated in accordance with the TIF Act; or (ii) the date the TIF Note is paid in full; or (iii) the date the City cancels the TIF Note upon a written request for termination from the Developer and a determination in the City's sole discretion that such termination will not limit or interfere with the City's ability to pool Tax Increments generated by the TIF District for affordable housing in accordance with the TIF Act;

TIF Act means Minnesota Statutes, Sections 469.174 through 469.1794, as amended;



TIF District means the Tax Increment Financing (Housing) District No. 1-7 (Bethesda) consisting of the property legally described in **Exhibit A** attached hereto, which was established as a housing district under the TIF Act;

TIF Note means the Taxable Tax Increment Revenue Note (Bethesda Housing Project) to be executed by the City and delivered to the Developer pursuant to Article III hereof, a form of which is attached hereto as **Exhibit D**;

TIF Plan means the tax increment financing plan approved for the TIF District;

Total Development Costs means the costs of the Project as set forth on **Exhibit E**; and

Unavoidable Delays means delays, outside the control of the party claiming their occurrence, which are the direct result of strikes, other labor troubles, unusually severe or prolonged bad weather, acts of God, acts of war or terrorism, fire or other casualty to the Project, litigation commenced by third parties which, by injunction or other similar judicial action or by the exercise of reasonable discretion, directly results in delays, or acts of any federal, state or local governmental unit (other than the City) which directly result in delays, acts of the public enemy or acts of terrorism and discovery of unknown hazardous materials or other concealed site conditions or delays of contractors due to such discovery.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the City. The City makes the following representations and warranties:

(1) The City is a municipal corporation and political subdivision duly organized and existing under the Constitution and laws of the State of Minnesota and has the power to enter into this Agreement and carry out its obligations hereunder.

(2) The City has taken the actions necessary to establish the TIF District as a "housing district" within the meaning of Minnesota Statutes, Section 469.174, Subdivision 11.

(3) The development contemplated by this Agreement is in conformance with the development objectives set forth in the Development Program and the TIF Plan.

(4) The City makes no representation or warranty, either express or implied, as to the Development Property or its condition, or that the Development Property shall be suitable for the Developer's purposes or needs.

(5) No member of the City Council, or officer of the City, has either a direct or indirect financial interest in this Agreement, nor will any member of the City Council, or officer of the City, benefit financially from this Agreement within the meaning of Minnesota Statutes, Sections 412.311 and 471.87.

Section 2.2. Representations and Warranties of the Developer. The Developer makes the following representations and warranties:

(1) The Developer is a Wisconsin limited liability company duly and validly organized and existing in good standing under the laws of the state of Wisconsin, is qualified to do business in the State, and has power and authority to enter into this Agreement and to perform its obligations hereunder and is not in violation of any provision of the laws of the State or the state of Wisconsin.

(2) The construction of the Project would not be undertaken by the Developer, and in the opinion of the Developer would not be economically feasible within the reasonably foreseeable future, without the assistance and benefit to the Developer provided for in this Agreement.

(3) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provision of any contractual restriction, evidence of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(4) The Developer understands that the City may subsidize or encourage the development of other developments in the City, including properties that compete with the Development Property and the Project, and that such subsidies may be more favorable than the terms of this Agreement, and that the City has informed the Developer that development of the Development Property will not be favored over the development of other properties.

## ARTICLE III

### UNDERTAKINGS BY DEVELOPER AND CITY

#### Section 3.1. Total Development Costs and Public Costs.

(1) The Developer's estimate of the Total Development Costs of the Project and sources of revenue to pay such costs are set forth on **Exhibit E** attached hereto.

(2) Based on the Developer's representation that the Total Development Costs for the Project are approximately \$18,000,000, that the sources of revenue available to pay such costs, excluding the tax increment assistance contemplated herein, is \$16,720,000, and that the Developer is unable to obtain additional private financing for the estimated Total Development Costs, the City has agreed to provide tax increment financing subject to the terms and conditions as hereinafter set forth. The Developer shall provide the City copies of all recorded financing documents and an *in camera* review of all other documents related to financing the Total Development Costs of the Project.

(3) The parties agree that the Public Development Costs to be incurred by the Developer are essential to the successful completion of the Project. The Developer anticipates that the Public Development Costs for the Project which are identified on **Exhibit C** attached hereto will be at least \$1,280,000.

(4) As of January 2, 2021, the estimated market value of the Development Property, as improved, is expected to be at least \$7,878,000.

(5) The Developer has acquired or has entered into a purchase agreement pursuant to which it will acquire fee title to the Development Property, and will cause the Project to be constructed in accordance with the terms of this Agreement, the Development Program, and all local, state and federal laws and regulations including, but not limited to, environmental, zoning, energy conservation, building code and public health laws and regulations.

(6) The Developer will obtain, or cause to be obtained, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, state, and federal laws and regulations which must be obtained or met for the construction and operation of the Project.

(7) The Total Development Costs shall be paid by the Developer, and the City shall reimburse the Developer for the Public Development Costs in the Reimbursement Amount solely through the issuance of the TIF Note as provided herein.

#### Section 3.2. TIF Note.

(1) The TIF Note will be originally issued to the Developer, as provided in Section 3.2(2), in a principal amount equal to the Reimbursement Amount and shall be dated as of its date of issuance. The principal of the TIF Note and interest thereon shall be payable on a pay-as-you-go basis solely from the Pledged Tax Increments as provided below.

(2) The TIF Note shall be issued, in substantially the form attached hereto as **Exhibit D** and interest will commence to accrue on the TIF Note only when: (A) the Developer shall have submitted written proof and other documentation as may be reasonably satisfactory to the City of the exact nature and amount of the Public Development Costs incurred by the Developer, together with such other information or documentation as may be reasonably necessary and satisfactory to the City to enable the City to substantiate the Developer's tax increment expenditures per **Exhibit C** and/or to comply with its tax increment reporting obligations to the Commissioner of Revenue, the Office of the State Auditor or other applicable official; (B) the City shall have received evidence that the Declaration has been recorded against the Development Property; (C) the Developer shall have obtained from the City a certificate of occupancy for all residential units in the Project; (D) the Developer shall have paid all of the City's Administrative Costs required to have been paid as of such date in accordance with Section 3.4 hereof; and (E) the Developer is in material compliance with each term or provision of this Agreement required to have been satisfied as of such date. The documentation provided in accordance with Section 3.2(2)(A) shall include specific invoices for the particular work from the contractor or other provider and shall include paid invoices, copies of remittances and/or other suitable documentary proofs of the Developer's payment thereof.

(3) Subject to the provisions thereof, the TIF Note shall bear simple, non-compounding interest at the rate equal to the lesser of 5.00% per annum or the rate per annum on the Developer's construction financing for the Project. Interest shall be computed on the basis of a 360 day year consisting of twelve 30-day months. Principal and interest on the TIF Note will be payable on each Payment Date; however, the sole source of funds required to be used for payment of the City's obligations under this Section and correspondingly under the TIF Note shall be the Pledged Tax Increments received in the 6-month period preceding each Payment Date. The principal amount of TIF Note shall be the Reimbursement Amount. On each Payment Date the Pledged Tax Increment shall be credited against the accrued interest then due on the TIF Note and then applied to reduce the principal. In the event the Pledged Tax Increments are not sufficient to pay the accrued interest, the unpaid accrued interest shall be carried forward without interest. All Tax Increments in excess of the Pledged Tax Increments necessary to pay the principal and accrued interest on the TIF Note are not subject to this Agreement, and the City retains full discretion as to any authorized application thereof. To the extent that the Pledged Tax Increments are insufficient through the Final Payment Date, to pay all amounts otherwise due on the TIF Note, said unpaid amounts shall then cease to be any debt or obligation of the City whatsoever.

(4) No interest will accrue during any period in which payments have been suspended pursuant to Section 4.2. Any interest accruing on Pledged Tax Increments held by the City pending payment to the Developer on the TIF Note shall accrue to the account of the TIF District.

(5) The TIF Note shall be a special and limited obligation of the City and not a general obligation of the City or the City, and only Pledged Tax Increments shall be used to pay the principal of and interest on the TIF Note.

(6) The City's obligation to make payments on the TIF Note on any Payment Date shall be conditioned upon the requirement that (A) there shall not at that time be an Event of

Default that has occurred and is continuing under this Agreement that has not been cured during the applicable cure period, and (B) this Agreement shall not have been terminated pursuant to Section 4.2, and (C) all conditions set forth in Section 3.2(2) have been satisfied as of such date; and the principal amount of the TIF Note shall be subject to adjustment as set forth in Section 5.3(5).

(7) The TIF Note shall be governed by and payable pursuant to the additional terms thereof, as actually executed, in substantially the form set forth in **Exhibit D**. In the event of any conflict between the terms of the TIF Note and the terms of this Section 3.2, the terms of the TIF Note shall govern. The issuance of the TIF Note is pursuant and subject to the terms of this Agreement.

(8) The Developer must execute and deliver the Assessment Agreement all as further provided in Section 3.5 and must file such Assessment Agreement with the Carver County Recorder and Registrar of Titles at the Developer's sole cost

Section 3.3. Income and Rent Restrictions. The Developer hereby represents, covenants and agrees as follows:

(1) The Project is intended for occupancy by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state or municipal legislation, or the regulations promulgated under any of those acts; and

(2) No more than 20% of the square footage of any building of the Project financed with the proceeds of the TIF Note will consist of commercial, retail or other non-residential uses; and

(3) In accordance with the Declaration, commencing on the Completion Date and continuing until the Termination Date, (i) at least 80% of the residential units shall be occupied by, or held for occupancy by, at least one person who is at least 55 years of age and the remaining residential units may be occupied by, or held for occupancy by, at least one person with a handicap as defined in 42 USC §3602(h) (of any age); and (ii) at least 20% of the residential units shall be occupied by or available for rent to persons whose income does not exceed 50% of the area-wide median family income for the standard metropolitan statistical area which includes Victoria, Minnesota, as that figure is determined and announced from time to time by HUD, as adjusted for family size ("Median Income"); and

(4) The Developer will provide the City an annual certification in the form attached as **Exhibit C** to the Declaration (the "Compliance Certificate") evidencing compliance with the requirements of paragraph (3) above, and income verifications from tenants used to meet such requirements. The annual certification shall also include the vacancy rate for the preceding calendar year and the rents for all residential units broken down by unit type, size and rent per square foot and the Rent Subsidy calculated in accordance with Section 3.3(5) below. The annual certification shall be provided on or before July 1 of each year commencing July 1, 2021, and shall cover the preceding calendar year.

(5) The annual Rent Subsidy shall be calculated in accordance with the sample calculation as set forth in **Exhibit J** and shall be, for the calendar year covered by the applicable Compliance Certificate, the difference between (a) the gross rent in such year for all of the 11 units in the Project occupied by Qualifying Tenants, and (b) the gross rent in such year for 11 units in the Project of the same square footage but not occupied by Qualifying Tenants, less (c) the total amount of principal payments received under the TIF Note in such year. (MR rent – per unit TIF amount – QT rent = Rent Subsidy)

(6) The provisions of this Section 3.3 shall be incorporated into the Declaration in substantially the form attached as **Exhibit F**, and recorded against the Development Property prior to the issuance of the TIF Note.

Section 3.4. Developer to Pay City's Fees and Expenses. The Developer will pay all of the City's reasonable Administrative Costs (as defined below) and must pay such costs to the City within 30 days after receipt of a written invoice from the City describing the amount and nature of the costs to be reimbursed. For the purposes of this Agreement, the term "Administrative Costs" means out of pocket costs incurred by the City together with staff and consultant (including reasonable legal, financial advisor, etc.) costs of the City, all attributable to or incurred in connection with the establishment of the TIF District and the TIF Plan and review, negotiation and preparation of this Agreement (together with any other agreements entered into between the parties hereto contemporaneously therewith) and review and approvals of other documents and agreements in connection with the Project. In addition, certain engineering, environmental advisor, legal, land use, zoning, subdivision and other costs related to the development of the Development Property are required to be paid, or additional funds deposited in escrow, as provided in accordance with the City's planning, zoning, and building fee schedules. The parties agree and understand that Developer deposited with the City \$5,000 toward payment of the City's Administrative Costs. If such costs exceed such amount, then at any time, but not more often than monthly, the City will deliver written notice to Developer setting forth any additional fees and expenses, together with suitable billings, receipts or other evidence of the amount and nature of the fees and expenses, and Developer agrees to pay all fees and expenses within 30 days of City's written request. Any unused amount of such deposit shall be returned to the Developer.

Section 3.5. Execution of Assessment Agreement.

(1) The Developer and the City agree to execute an Assessment Agreement relating to the Development pursuant to the provisions of Minnesota Statutes, Section 469.177, Subdivision 8, specifying the minimum market value for the Development Property for calculation of real property taxes. Specifically, the Developer shall agree to a market value for the Development Property of \$7,878,000 commencing as of January 2, 2021 (the "Minimum Market Value").

(2) Nothing in the Assessment Agreement or this Agreement limits the discretion of the County Assessor to assign a market value to the property in excess of the Minimum Market Value nor prohibits the Developer from seeking, through the exercise of legal or administrative remedies, a reduction in such market value for property tax purposes; provided however, the

Developer shall not seek a reduction of such market value below the Minimum Market Value for any year so long as the Assessment Agreement remains in effect for that year.

(3) The Assessment Agreement shall remain in effect until the earlier of (i) January 31, 2045 with respect to taxes payable in 2046, or (ii) the date on which the TIF District expires or is otherwise terminated.

(4) The Assessment Agreement shall be certified by the County Assessor as provided in Minnesota Statutes, Section 469.177, Subdivision 8, upon a finding by the County Assessor that the Minimum Market Value represents a reasonable estimate based upon the plans and specifications for the Minimum Improvements to be constructed on the Development Property and the market value previously assigned to the Development Property.

(5) Pursuant to Minnesota Statutes, Section 469.177, Subdivision 8, the Assessment Agreement shall be filed for record in the office of the county recorder or registrar of titles of the County, and such filing shall constitute notice to any subsequent encumbrancer or purchaser of the Development Property, whether voluntary or involuntary, and such Assessment Agreement shall be binding and enforceable in its entirety against any such subsequent purchaser or encumbrancer, including the holder of any mortgage on the Development Property.

(6) The Assessment Agreement shall be filed, at the sole cost of the Developer, against the Development Property prior to any lien or encumbrance on the Development Property, including any mortgager.

### Section 3.6. Compliance with Environmental Requirements.

(1) The Developer shall comply with all applicable local, state, and federal environmental laws and regulations, and will obtain, and maintain compliance under, any and all necessary environmental permits, licenses, approvals or reviews.

(2) The City makes no warranties or representations regarding, nor does it indemnify the Developer with respect to, the existence or nonexistence on or in the vicinity of the Development Property or anywhere within the TIF District of any toxic or hazardous substances or wastes, pollutants or contaminants (including, without limitation, asbestos, urea formaldehyde, the group of organic compounds known as polychlorinated biphenyls, petroleum products including gasoline, fuel oil, crude oil and various constituents of such products, or any hazardous substance as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), 42 U.S.C. §§ 961-9657, as amended) (collectively, the "Hazardous Substances").

(3) The Developer agrees to take all necessary action to remove or remediate any Hazardous Substances located on the Development Property to the extent required by and in accordance with all applicable local, state and federal environmental laws and regulations.

### Section 3.7. Construction Plans.

(1) Prior to the commencement of construction of the Project, the Developer will deliver to the City the Construction Plans, Construction Documents and a sworn construction



cost statement certified by the Developer and the General Contractor (the "Sworn Construction Cost Statement") all in form and substance acceptable to the City. The Construction Plans for the Project shall be consistent with the Development Program, this Agreement, and all applicable State and local laws and regulations and the Site Plan and Design Drawings previously submitted to the City. The City's building official and the City Manager, on behalf of the City shall promptly review any Construction Plans upon submission and deliver to the Developer a written statement approving the Construction Plans or a written statement rejecting the Construction Plans and specifying the deficiencies in the Construction Plans. The City's building official and the City Manager on behalf of the City shall approve the Construction Plans if: (i) the Construction Plans substantially conform to the terms and conditions of this Agreement; (ii) the Construction Plans are consistent with the goals and objectives of the Development Program and the TIF Plan; (iii) the Construction Plans comply with the Site Plan and Design Drawings; and (iv) the Construction Plans do not violate any applicable federal, State or local laws, ordinances, rules or regulations. If the Construction Plans are not approved by the City, then the Developer shall make such changes as the City may reasonably require and resubmit the Construction Plans to the City for approval, which will not be unreasonably withheld, unreasonably conditioned or unreasonably delayed. If the City has not rejected the Construction Plans in writing within 60 calendar days of submission, such Construction Plans shall automatically be deemed approved by the City but only if the Construction Plans provided to the City are complete and final and meet all requirements necessary for the City to issue a building permit.

(2) No changes shall be made to the Construction Plans for the Project without the City's prior written approval, unless the aggregate of such changes do not increase or decrease the Total Development Costs by more than 10%. No changes which materially alter (a) the Project's site plan, (b) exterior appearance, (c) construction quality, or (d) exterior materials included in the final Design Drawings and Construction Plans shall be made without the City's prior written consent. The approval of the City will not be unreasonably withheld, conditioned or delayed. If an amendment or prior written approval from the City is necessary with respect to a change in the Construction Plans, if the City has not rejected such amendment in writing within 60 calendar days of submission of such amendment, the amendment to Construction Plans shall automatically be deemed approved by the City but only if such amendment provided to the City is complete and final and meets all requirements necessary for the City to issue a building permit or determine compliance with an applicable building permit.

(3) The approval of the Construction Plans, or any proposed amendment to the Construction Plans, by the City does not constitute a representation or warranty by the City that the Construction Plans or the Project comply with any applicable building code, health or safety regulation, zoning regulation, environmental law or other law or regulation, or that the Project will meet the qualifications for issuance of a certificate of occupancy, or that the Project will meet the requirements of the Developer or any other users of the Project. Approval of the Construction Plans, or any proposed amendment to the Construction Plans, by the City will not constitute a waiver of an Event of Default. Nothing in this Agreement shall be construed to relieve the Developer of its obligations to receive any required approval of the Construction Plans from any City department.

Section 3.8. Commencement and Completion of Construction. Subject to the terms and conditions of this Agreement and to Unavoidable Delays, the Developer will commence

construction of the Project by August 1, 2019 and shall substantially complete the Project by August 1, 2020. Notwithstanding the foregoing, failure of the Developer to commence construction or substantially complete the Project shall not be an Event of Default hereunder unless the Developer fails to commence construction of the Project by December 31, 2019 or, subject to Unavoidable Delays, the Developer fails to obtain a certificate of occupancy for the Project by December 31, 2020. The Project will be constructed by the Developer on the Development Property in conformity with the Construction Plans approved by the City. Prior to completion, upon the request of the City, and subject to applicable safety rules, the Developer will provide the City reasonable access to the Development Property. "Reasonable access" means at least one site inspection per week during regular business hours. During construction, marketing and rentals of the Project, the Developer will deliver progress reports to the City from time to time as reasonably requested by the City.

Section 3.9. Certificate of Completion. The Developer shall notify the City when construction of the Project has been substantially completed. The City shall, within 20 days after such notification, inspect the Project in order to determine whether the Project has been constructed in substantial conformity with the approved Construction Plans. If the City determines that the Project has not been constructed in substantial conformity with the approved Construction Plans, the City shall deliver a written statement to the Developer indicating in adequate detail the specific respects in which the Project has not been constructed in substantial conformity with the approved Construction Plans and Developer shall have a reasonable period of time to remedy such deficiencies. The City shall re-inspect the Project within a reasonable period of time after receiving notice that such deficiencies have been remedied in order to determine whether the Project has been constructed in substantial conformity with the approved Construction Plans and this Agreement. Within a reasonable period of time after determining that the Project has been constructed in substantial conformity with the approved Construction Plans, the City will furnish to the Developer a Certificate of Completion substantially in the form attached hereto as **Exhibit I** certifying the completion of the Project. The Certificate of Completion issued for the Project shall conclusively satisfy and terminate the agreements and covenants of the Developer in this Agreement solely with respect to construction of the Project. The issuance of a Certificate of Completion under this Agreement shall not be construed to relieve the Developer of any approval required by any City department in connection with the construction, completion or occupancy of the Project nor shall it relieve the Developer of any other obligations under this Agreement.

Section 3.10. Encumbrance of the Development Property. Until the Final Payment Date, without the prior written consent of the City, neither the Developer nor any successor in interest to the Developer will engage in any financing or any other transaction creating any mortgage or other encumbrance or lien upon the Development Property, or portion thereof, whether by express agreement or operation of law, or suffer any encumbrance or lien to be made on or attach to the Development Property except for the purpose of obtaining funds only to the extent necessary for financing or refinancing the acquisition and construction of the Project (including, but not limited to, land and building acquisition, labor and materials, professional fees, development fees, real estate taxes, reasonably required reserves, construction interest, organization and other direct and indirect costs of development and financing, costs of constructing the Project, and an allowance for contingencies) including without limitation regulatory agreements and land use restriction agreements in connection with such financings;

provided, however, this provision shall not be considered a waiver of the requirements of Section 5.3 with respect to any Transfer of the TIF Note in connection with any such financing or refinancing nor shall anything contained in this Section prohibit the Developer from making transfers in accordance with Section 5.3. The City hereby consents to any mortgages securing the Developer's construction financing for the Project and to the succession of the mortgagee thereunder (or any assignee of the mortgagee) or any purchasers at or after foreclosure thereof, by the successful bidder at the sale, to title to the Development Property, and to any other Permitted Encumbrances set forth in **Exhibit H**; provided, however, this provision shall not be considered a waiver of the requirements of Section 5.3 with respect to any Transfer of the TIF Note in connection with any such mortgage. Notwithstanding the foregoing, the TIF Note shall be terminated by the City in the event that any mortgagee (or any assignee of the mortgagee) or any purchasers at or after foreclosure thereof, by the successful bidder at the sale, to the title to the Development Property, terminates the Declaration, in accordance with its terms, or does not otherwise comply with the Declaration.

Section 3.11. Business Subsidy Act. The subsidy granted to the Developer pursuant to this Agreement is assistance for housing and therefore the provisions of Minnesota Statutes, Section 116J.993 to 116J.995 do not apply. No portion of the tax increment assistance shall be used to construct any commercial space.

Section 3.12. Right to Collect Delinquent Taxes. The Developer acknowledges that the City is providing substantial aid and assistance in furtherance of the Project through reimbursement of Public Development Costs. To that end, the Developer agrees for itself, its successors and assigns, that in addition to the obligation pursuant to statute to pay real estate taxes, it is also obligated by reason of this Agreement, to pay before delinquency all real estate taxes assessed against the Development Property and the Project. The Developer acknowledges that this obligation creates a contractual right on behalf of the City through the Termination Date to sue the Developer or its successors and assigns, to collect delinquent real estate taxes related to the Development Property and any penalty or interest thereon and to pay over the same as a tax payment to the county auditor. In any such suit in which the City is the prevailing party, the City shall also be entitled to recover its costs, expenses and reasonable attorney fees.

Section 3.13. Review of Taxes.

(1) The Developer agrees that prior to the Termination Date it will not cause a reduction in the real property taxes paid in respect of the Development Property through: (i) willful destruction of the Development Property or any part thereof; or (ii) willful refusal to reconstruct damaged or destroyed property. The Developer also agrees that it will not, prior to the Termination Date, apply for an exemption from or a deferral of property tax on the Development Property pursuant to any law, or transfer or permit transfer of the Development Property to any entity whose ownership or operation of the property would result in the Development Property being exempt from real property taxes under State law.

(2) The Developer shall notify the City within 10 days of filing any petition to seek reduction in market value or property taxes on any portion of the Development Property under any State law (referred to as a "Tax Appeal"). If as of any Payment Date, any Tax Appeal is then pending, the City will continue to make payments on the TIF Note but only to the extent

that the Available Tax Increment relates to property taxes paid with respect to the market value of the Development Property not being challenged as part of the Tax Appeal as determined by the City in its sole discretion and the City will withhold the Available Tax Increment related to property taxes paid with respect to the market value of the Development Property being challenged as part of the Tax Appeal as determined by the City in its sole discretion. The City will apply any withheld amount to the extent not reduced as a result of the Tax Appeal promptly after the Tax Appeal is fully resolved and the amount of Available Tax Increment, as applicable, attributable to the disputed tax payments is finalized.

## ARTICLE IV

### EVENTS OF DEFAULT

Section 4.1. Events of Default Defined. The following shall be “Events of Default” under this Agreement and the term “Event of Default” shall mean whenever it is used in this Agreement any one or more of the following events:

(1) Failure by the Developer to timely pay any ad valorem real property taxes assessed with respect to the Development Property.

(2) Subject to Unavoidable Delays, failure by the Developer to commence construction of the Project by December 31, 2019, and to proceed with due diligence to substantially complete the construction of the Project pursuant to the terms, conditions and limitations of this Agreement and obtain a certificate of occupancy from the City by December 31, 2020.

(3) Failure of the Developer to observe or perform any other material covenant, condition, obligation or agreement on its part to be observed or performed under the Declaration, or this Agreement, including, without limitation, compliance with the requirements set forth in Section 3.3 hereof.

(4) If, prior to the Completion Date, the Developer shall

(a) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act of 1978, as amended or under any similar federal or state law; or

(b) be adjudicated a bankrupt or insolvent; or if a petition or answer proposing the adjudication of the Developer, as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within 90 days after the filing thereof; or a receiver, trustee or liquidator of the Developer, or of the Project, or part thereof, shall be appointed in any proceeding brought against the Developer, and shall not be discharged within 90 days after such appointment, or if the Developer, shall consent to or acquiesce in such appointment.

Notwithstanding anything to the contrary set forth in this Agreement the lenders providing construction or permanent financing for the Project shall have the right, but not the obligation, to cure an Event of Default during the cure period provided for the Developer.

Section 4.2. Remedies on Default. Whenever any Event of Default referred to in Section 4.1 occurs and is continuing, the City, as specified below, may take any one or more of the following actions after the giving of 30 days’ written notice to the Developer, but only if the Event of Default has not been cured within said 30 days; provided that if such Event of Default cannot be reasonably cured within the 30 day period, and the Developer has provided assurances

reasonably satisfactory to the City that it is proceeding with due diligence to cure such default, such 30 day cure period shall be extended for a period deemed reasonably necessary by the City to effect the cure, but in any event not to exceed 180 days:

(1) The City may suspend its performance under this Agreement and the TIF Note until it receives assurances from the Developer, deemed reasonably adequate by the City, that the Developer will cure its default and continue its performance under this Agreement. Interest on the TIF Note shall not accrue during the period of any suspension of payment.

(2) The City may terminate this Agreement and/or cancel the TIF Note.

(3) The City may take any action, including legal or administrative action, in law or equity, which may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant of the Developer under this Agreement.

Notwithstanding anything to the contrary set forth in this Agreement the lenders providing construction or permanent financing for the Project shall have the right, but not the obligation, to cure an Event of Default during the cure period provided for the Developer.

Section 4.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 4.4. No Implied Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 4.5. Indemnification of City.

(1) The Developer releases from and covenants and agrees that the City, and their governing bodies' members, officers, agents, including the independent contractors, consultants and legal counsel, servants and employees thereof (for purposes of this Section, collectively the "Indemnified Parties") shall not be liable for and agrees to indemnify and hold harmless the Indemnified Parties against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Project, or any other loss, cost expense, or penalty, except to the extent caused by any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties.

(2) Except for any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties, the Developer agrees to protect and defend the Indemnified Parties, now and forever, and further agrees to hold the aforesaid harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from the actions or inactions of the Developer (or if other persons acting on its behalf or

under its direction or control) under this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, and operation of the Project; including, without limitation, any pecuniary loss or penalty (including interest thereon at the rate of 5% per annum from the date such loss is incurred or penalty is paid by the City) as a result of the Project failing to cause the TIF District to qualify as a "housing district" under Section 469.174, Subdivision 11, of the Act, or to violate limitations as to the use of Tax Increments as set forth in Section 469.176, subd. 4d.

(3) All covenants, stipulations, promises, agreements and obligations of the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not of any governing body member, officer, agent, servant or employee of the City, as the case may be.

Section 4.6. Reimbursement of Attorneys' Fees. If the Developer shall default under any of the provisions of this Agreement, and the City shall employ attorneys or incur other reasonable expenses for the collection of payments due hereunder, or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer contained in this Agreement, the Developer will within 30 days reimburse the City for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

## ARTICLE V

### ADDITIONAL PROVISIONS

Section 5.1. Restrictions on Use. The Developer agrees for itself, its successors and assigns and every successor in interest to the Development Property, or any part thereof, that the Developer and such successors and assigns shall operate, or cause to be operated, the Project as an affordable senior rental housing development in accordance with this Agreement and the Declaration until the Termination Date.

Section 5.2. Reports. The Developer shall provide the City reports in a timely manner with such information about the Project as the City may reasonably request for purposes of satisfying any reporting requirements imposed by law on the City.

Section 5.3. Limitations on Transfer and Assignment.

(1) Except as provided in Sections 3.10 and 5.3(4), and subject to Section 5.3(5), the Developer will not sell, assign, convey, lease or transfer in any other mode or manner (collectively, "Transfer") this Agreement, the TIF Note, or the Development Property or the Project, or any interest therein, without the express written approval of the City, which consent will not be unreasonably withheld, conditioned or delayed. The City shall, within 20 days after such a written request for approval of a Transfer, deliver a written statement to the Developer indicating whether the Transfer is approved or specifying the additional conditions to be satisfied in accordance with Section 5.3(2). The provisions of this Section 5.3 apply to all subsequent Transfers by authorized transferees;

(2) The City shall be entitled to require, as conditions to any approval of any Transfer of this Agreement, the Development Property, the Project or the TIF Note in connection therewith, which approval will not be unreasonably withheld, conditioned or delayed, that:

(a) Any proposed transferee shall have the qualifications and financial responsibility, as determined by the City, necessary and adequate to fulfill the obligations undertaken in this Agreement by the Developer;

(b) Any proposed transferee, by instrument in writing satisfactory to the City shall, for itself and its successors and assigns, and expressly for the benefit of the City have expressly assumed any of the remaining obligations of the Developer under this Agreement and agreed to be subject to all the conditions and restrictions to which the Developer is subject;

(c) There shall be submitted to the City for review all instruments and other legal documents involved in effecting transfer, and if approved by City, its approval shall be indicated to the Developer in writing;

(d) Any proposed transferee of the TIF Note shall (i) execute and deliver to the City the Acknowledgment Regarding TIF Note in the form included in **Exhibit 2** to the TIF Note and (ii) surrender the TIF Note to the City either in exchange for a new fully



registered note or for transfer of the TIF Note on the registration records for the TIF Note maintained by the City;

(e) The Developer and its transferees shall comply with such other conditions as are necessary in order to achieve and safeguard the purposes of the Act, the TIF Act and this Agreement; and

(f) In the absence of a specific written agreement by the City to the contrary, no such transfer or approval by the City thereof shall be deemed to relieve the Developer or any other party bound in any way by this Agreement or otherwise with respect to the construction of the Project, from any of its obligations with respect thereto.

(3) The Developer agrees to pay all reasonable legal fees and expenses of the City, including fees of the City Attorney's office and outside counsel retained by the City to review the documents submitted to the City in connection with any Transfer.

(4) Nothing contained in this Section shall prohibit the Developer from (i) entering into leases with tenants in the ordinary course of business, or (ii) entering into easements or other agreements necessary for the operation of the Project.

(5) The financial assistance to the Developer under this Agreement is based on certain financial assumptions associated with the Project and is not intended to enrich the Developer with public funds upon a sale of the Project to an unrelated party. If the Developer Transfers all or any portion of the Development Property, except as provided in Section 5.3(4) or to an Affiliate of the Developer:

(a) Upon an initial sale of the Project in an arms' length transaction on or before the 10<sup>th</sup> anniversary date of the issuance of the Certificate of Completion (a "Trigger Sale"), the TIF Note will be reduced as set forth in this Section 5.3(5) based on a calculation of the Net Sale Proceeds (as hereinafter defined) arising out of the Trigger Sale and the Developer shall deliver the existing TIF Note to be exchanged for a replacement TIF Note in the revised amount. The then outstanding principal amount of the Note shall be reduced by an amount equal to the lesser of (i) the outstanding principal balance of the TIF Note on the date of the Trigger Sale; or (ii) 50% of the Net Sale Proceeds. If 50% of the Net Sale Proceeds is greater than the then outstanding principal balance of the TIF Note, the TIF Note shall be deemed paid in full.

(b) For purposes of this Agreement, "Net Sale Proceeds" means an amount equal to the gross sale price for the Project paid at the Trigger Sale, less (i) customary and ordinary costs of sales and marketing (including without limitation, real estate commissions, cost of marketing, costs of brochures, advertising and the salaries and commissions of third parties employed by the Developer to market and sell, abstracting fees, state deed taxes, recording costs, legal fees, closing costs and all other costs and expenses associated with a Trigger Sale) as evidenced by a settlement statement, (ii) the payment in full of any loan(s) for the purposes described in Section 3.10 for the Project as evidenced by a settlement statement, (iii) the initial equity of the Developer (in an amount equal to the lesser of the amount set forth on the Loan Closing Statement or \$2,000,000),

(iv) the initial land equity value (in the amount of \$1,050,000), (v) the deferred development fee (in an amount equal to the lesser of the amount set forth on the Loan Closing Statement or \$284,718); and (vi) the cumulative sum of the annual Rent Subsidy amounts as reported in the Compliance Certificates submitted by Developer on or before the date of the Trigger Sale pursuant to Section 3.3(4) of this Agreement and the Declaration.

Section 5.4. Conflicts of Interest. No member of the governing body or other official of the City shall have any financial interest, direct or indirect, in this Agreement, the Development Property or the Project, or any contract, agreement or other transaction contemplated to occur or be undertaken thereunder or with respect thereto, nor shall any such member of the governing body or other official participate in any decision relating to this Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested. No member, official or employee of the City shall be personally liable to the City in the event of any default or breach by the Developer or successor or on any obligations under the terms of this Agreement.

Section 5.5. Titles of Articles and Sections. Any titles of the several parts, articles and sections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 5.6. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand or other communication under this Agreement by any party to any other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, and

(a) in the case of the Developer is addressed to or delivered personally to:

Bethesda Cornerstone Village-Victoria, LLC  
600 Hoffmann Drive  
Watertown, WI 53094  
Attn: VP of Real Estate Development

(b) in the case of the City is addressed to or delivered personally to the City at:

City of Victoria, Minnesota  
P.O. Box 36  
Victoria, Minnesota 55386  
Attn: City Manager

or at such other address with respect to any such party as that party may, from time to time, designate in writing and forward to the other, as provided in this Section.

Section 5.7. No Additional Waiver Implied by One Waiver. If any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 5.8. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 5.9. Law Governing. This Agreement will be governed and construed in accordance with the laws of the State.

Section 5.10. Term; Termination. Except as provided in the Declaration, and unless this Agreement is terminated earlier in accordance with its terms this Agreement shall terminate on the Final Payment Date. Early termination upon a written request from the Developer shall be in the City's sole discretion and upon a determination that such termination will not limit or interfere with the City's ability to pool Tax Increments generated by the TIF District for affordable housing in accordance with the TIF Act. After the Termination Date, if requested by the Developer, the City will provide a termination certificate as to the Developer's obligations hereunder.

Section 5.11. Provisions Surviving Rescission, Expiration or Termination. Sections 4.5 and 4.6 shall survive any rescission, termination or expiration of this Agreement with respect to or arising out of any event, occurrence or circumstance existing prior to the date thereof.

Section 5.12. Superseding Effect. This Agreement reflects the entire agreement of the parties with respect to the development of the Development Property, and supersedes in all respects all prior agreements of the parties, whether written or otherwise, with respect to the development of the Development Property.

Section 5.13. Relationship of Parties. Nothing in this Agreement is intended, or shall be construed, to create a partnership or joint venture among or between the parties hereto, and the rights and remedies of the parties hereto shall be strictly as set forth in this Agreement. All covenants, stipulations, promises, agreements and obligations of the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not of any governing body member, officer, agent, servant or employee of the City.

Section 5.14. Venue. All matters, whether sounding in tort or in contract, relating to the validity, construction, performance, or enforcement of this Agreement shall be controlled by and determined in accordance with the laws of the State of Minnesota, and the Developer agrees that all legal actions initiated by the Developer or City with respect to or arising from any provision contained in this Agreement shall be initiated, filed and venued exclusively in the State of Minnesota, Carver County, District Court and shall not be removed therefrom to any other federal or state court.

Section 5.15. Estoppel Certificates. The City agrees it will, from time to time upon reasonable prior written request by the Developer at least 10 business days prior to the requested delivery date, execute and deliver to the Developer and such other parties as the Developer may reasonably designate, written certification in recordable form, that (a) this Agreement is unmodified and in full force and effect, if true (or if there have been modifications, that the same are in full force and effect as modified), and (b) that to the knowledge of the City there are no defaults under this Agreement, if true (or specifying any claimed defaults). Any such statement on behalf of the City may be executed by the City Manager without City Council approval.

IN WITNESS WHEREOF, the City has caused this Agreement to be duly executed in its name and on its behalf, and the Developer has caused this Agreement to be duly executed in its name and on its behalf, on or as of the date first above written.


CITY OF VICTORIA, MINNESOTA

By   
Its Mayor

By   
Its Manager

This is a signature page to the TIF Assistance Agreement.

**BETHESDA CORNERSTONE VILLAGE-  
VICTORIA, LLC, a Wisconsin limited liability  
company**

By:   
Name: DAVE GRIEBEL  
Its: CHIEF FINANCIAL OFFICER

This is a signature page to the TIF Assistance Agreement.

## **EXHIBIT A**

### **DESCRIPTION OF TIF DISTRICT**

The TIF District includes parcel numbers 65.0800020, 65.0800031, and the adjacent roads and right-of-way. The property within the TIF District is legally described as follows:

Lot 2, Block 1, ARETZ FIRST ADDITION, together with the West 50 feet of Lot 3, Block 1, ARETZ FIRST ADDITION, Carver County, Minnesota.

## **EXHIBIT B**

### **LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY**

Lot 2, Block 1, ARETZ FIRST ADDITION, together with the West 50 feet of Lot 3, Block 1, ARETZ FIRST ADDITION, Carver County, Minnesota.

## **EXHIBIT C**

### **PUBLIC DEVELOPMENT COSTS**

Land acquisition

Site grading and improvements

Underground and above ground utilities

All rental housing construction costs eligible for reimbursement under the TIF Act



## **EXHIBIT D**

### **FORM OF TAXABLE TIF NOTE**

No. R-1

\$1,280,000

UNITED STATES OF AMERICA  
STATE OF MINNESOTA  
COUNTY OF CARVER  
CITY VICTORIA, MINNESOTA  
TAXABLE TAX INCREMENT REVENUE  
NOTE (BETHESDA HOUSING PROJECT)

\_\_\_\_\_, 20\_\_

The City of Victoria, Minnesota (the “City”), hereby acknowledges itself to be indebted and, for value received, hereby promises to pay the amounts hereinafter described (the “Payment Amounts”) to Bethesda Cornerstone Village-Victoria, LLC, a Wisconsin limited liability company or its registered assigns (the “Registered Owner”), the principal amount of One Million Two Hundred Eighty Thousand and 00/100 Dollars (\$1,280,000), but only in the manner, at the times, from the sources of revenue, and to the extent hereinafter provided.

This Note is issued pursuant to that certain TIF Assistance Agreement, dated as of July 9, 2019, as the same may be amended from time to time (the “TIF Assistance Agreement”), by and between the City and Bethesda Cornerstone Village-Victoria, LLC (the “Developer”). Unless otherwise defined herein or unless context requires otherwise, undefined terms used herein shall have the meanings set forth in the TIF Assistance Agreement.

This Note shall bear simple, non-compounding interest at the rate equal to the lesser of 5.00% per annum or the rate per annum on the Developer’s construction financing for the Project; provided that no interest shall accrue on this Note during any period that an Event of Default has occurred, and such Event of Default is continuing, under the TIF Assistance Agreement and City has exercised its remedy under the TIF Assistance Agreement to suspend payment on the Note. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

The amounts due under this Note shall be payable on August 1, 2021 and on each February 1 and August 1 thereafter to and including the earlier of the earlier of (i) the date on which the entire principal and accrued interest on the TIF Note has been paid in full; or (ii) February 1, 2047; or (iii) any earlier date the TIF Assistance Agreement or this Note is cancelled in accordance with the terms of the TIF Assistance Agreement or deemed paid in full; or (iv) the February 1 following the date the TIF District is terminated in accordance with the TIF Act; or (v) the date the City cancels the TIF Note upon a written request for termination from the Developer and a determination in the City’s sole discretion that such termination will not limit or interfere with the City’s ability to pool Tax Increments generated by the TIF District for affordable housing in accordance with the TIF Act (provided that there shall be no payment of

any Tax Increments on such date unless it is a regular Payment Date) (the "Final Payment Date") or, if the first should not be a Business Day (as defined in the TIF Assistance Agreement) the next succeeding Business Day (collectively, the "Payment Dates"). On each Payment Date, the City shall pay by check or draft mailed to the person that was the Registered Owner of this Note at the close of the last business day preceding such Payment Date an amount equal to 90% of the Available Tax Increments (as hereinafter defined) received by the City during the 6-month period preceding such Payment Date ("Pledged Tax Increments"). "Available Tax Increments" are the Tax Increments (as hereinafter defined) received and permitted to be retained by the City, from the Tax Increment Financing (Housing) District No. 1-7 (Bethesda) (the "TIF District") less the amount of Tax Increments, if any, which the City must pay to the school district, the County and the State pursuant to the TIF Act including, without limitation, Minnesota Statutes, Sections 469.177, subds. 9, 10 and 11; 469.176, subd. 4h; and 469.175, subd. 1a, as the same may be amended from time to time. "Tax Increments" are the tax increments derived from the property which is located within the TIF District which are paid to the City and which the City is entitled to retain pursuant to the provisions of and as defined in Minnesota Statutes, Sections 469.174 through 469.1794, as the same may be amended or supplemented from time to time (the "TIF Act") including, without limitation, Minnesota Statutes, Section 469.177, as amended. Payments on this Note shall be payable solely from the Pledged Tax Increments. All payments made by the City under this Note shall first be applied to accrued interest and then to principal. If Pledged Tax Increments are insufficient to pay any accrued interest due, such unpaid interest shall be carried forward without interest.

This Note shall terminate and be of no further force and effect following the Final Payment Date defined above, or any date upon which the City shall have terminated the TIF Assistance Agreement under Section 4.2 thereof or on the date that all principal and interest payable hereunder shall have been or deemed paid in full, whichever occurs earliest. This Note may be prepaid in whole or in part at any time without penalty.

The City makes no representation or covenant, express or implied, that the Pledged Tax Increments will be sufficient to pay, in whole or in part, the amounts which are or may become due and payable hereunder. There are risk factors in the amount of Tax Increments that may actually be received by the City and some of those factors are listed on the attached **Exhibit 1**. The Registered Owner acknowledges these risk factors and understands and agrees that payments by the City under this Note are subject to these and other factors.

The City's payment obligations hereunder shall be further subject to the conditions that (i) no Event of Default under Section 4.1 of the TIF Assistance Agreement shall have occurred and be continuing at the time payment is otherwise due hereunder, including without limitation failure to obtain the Compliance Certificate in accordance with Section 3.3 of the TIF Assistance Agreement and deliver the Declaration (as defined therein), and (ii) the TIF Assistance Agreement shall not have been terminated pursuant to Section 4.2, and (iii) all conditions set forth in Section 3.2(2) of the TIF Assistance Agreement have been satisfied as of such date; and the principal amount of this TIF Note shall be subject to adjustment as set forth in Section 5.3(5) of the TIF Assistance Agreement. Any such suspended and unpaid amounts shall become payable, without interest accruing thereon in the meantime, if this Note has not been terminated in accordance with Section 4.2 of the TIF Assistance Agreement and said Event of Default shall thereafter have been cured in accordance with Section 4.2. If pursuant to the occurrence of an

Event of Default under the TIF Assistance Agreement the City elects, in accordance with the TIF Assistance Agreement to cancel and rescind the TIF Assistance Agreement and/or this Note, the City shall have no further debt or obligation under this Note whatsoever. Reference is hereby made to all of the provisions of the TIF Assistance Agreement, for a fuller statement of the rights and obligations of the City to pay the principal of this Note and the interest thereon, and said provisions are hereby incorporated into this Note as though set out in full herein.

**THIS NOTE IS A SPECIAL, LIMITED REVENUE OBLIGATION AND NOT A GENERAL OBLIGATION OF THE CITY AND IS PAYABLE BY THE CITY ONLY FROM THE SOURCES AND SUBJECT TO THE QUALIFICATIONS STATED OR REFERENCED HEREIN. THIS NOTE IS NOT A GENERAL OBLIGATION OF THE CITY, AND THE FULL FAITH AND CREDIT AND TAXING POWERS OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS NOTE AND NO PROPERTY OR OTHER ASSET OF THE CITY, SAVE AND EXCEPT THE ABOVE-REFERENCED PLEDGED TAX INCREMENTS, IS OR SHALL BE A SOURCE OF PAYMENT OF THE CITY'S OBLIGATIONS HEREUNDER.**

The Registered Owner shall never have or be deemed to have the right to compel any exercise of any taxing power of the City or of any other public body, and neither the City nor any person executing or registering this Note shall be liable personally hereon by reason of the issuance or registration thereof or otherwise.

This Note is issued by the City in aid of financing a project pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including the TIF Act.

This Note may be assigned only as provided in Section 5.3 of the TIF Assistance Agreement and subject to the assignee executing and delivering to the City the Acknowledgment Regarding TIF Note in the form included in **Exhibit 2**. Additionally, in order to assign the Note, the assignee shall surrender the same to the City either in exchange for a new fully registered note or for transfer of this Note on the registration records maintained by the City for the Note. Each permitted assignee shall take this Note subject to the foregoing conditions and subject to all provisions stated or referenced herein.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Constitution and laws of the State of Minnesota to be done, to have happened, and to be performed precedent to and in the issuance of this Note have been done, have happened, and have been performed in regular and due form, time, and manner as required by law; and that this Note, together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the City to exceed any constitutional or statutory limitation thereon.

IN WITNESS WHEREOF, the City of Victoria, Minnesota by its City Council, has caused this Note to be executed by the manual signatures of its Mayor and City Manager and has caused this Note to be issued on and dated as of the date first written above.

CITY OF VICTORIA, MINNESOTA

By \_\_\_\_\_  
Its Mayor

By \_\_\_\_\_  
Its City Manager

Signature Page for Tax Increment Revenue Note (Bethesda Housing Project)

## CERTIFICATION OF REGISTRATION

It is hereby certified that the foregoing Note, as originally issued on the date first written above, was on said date registered in the name of Bethesda Cornerstone Village-Victoria, LLC, a Wisconsin limited liability company, and that, at the request of the Registered Owner of this Note, the undersigned has this day registered the Note in the name of such Registered Owner, as indicated in the registration blank below, on the books kept by the undersigned for such purposes.

<u>NAME AND ADDRESS OF REGISTERED OWNER</u>	<u>DATE OF REGISTRATION</u>	<u>SIGNATURE OF CITY FINANCE DIRECTOR</u>
Bethesda Cornerstone Village- Victoria, LLC 600 Hoffmann Drive Watertown, WI 53094 Attn: VP of Real Estate Development	_____, 20__	_____
_____		
_____		
_____		
_____	_____, 20__	_____
_____		
_____		
_____	_____, 20__	_____

**Exhibit 1  
to Taxable TIF Note**

**RISK FACTORS**

Risk factors on the amount of Tax Increments that may actually be received by the City include but are not limited to the following:

1. Value of Project. If the contemplated Project (as defined in the TIF Assistance Agreement) constructed in the tax increment financing district is completed at a lesser level of value than originally contemplated, they will generate fewer taxes and fewer tax increments than originally contemplated.

2. Damage or Destruction. If the Project is damaged or destroyed after completion, their value will be reduced, and taxes and tax increments will be reduced. Repair, restoration or replacement of the Project may not occur, may occur after only a substantial time delay, or may involve property with a lower value than the Project, all of which would reduce taxes and tax increments.

3. Change in Use to Tax-Exempt. The Project could be acquired by a party that devotes it to a use which causes the property to be exempt from real property taxation. Taxes and tax increments would then cease.

4. Depreciation. The Project could decline in value due to changes in the market for such property or due to the decline in the physical condition of the property. Lower market valuation will lead to lower taxes and lower tax increments.

5. Non-payment of Taxes. If the property owner does not pay property taxes, either in whole or in part, the lack of taxes received will cause a lack of tax increments. The Minnesota system of collecting delinquent property taxes is a lengthy one that could result in substantial delays in the receipt of taxes and tax increments, and there is no assurance that the full amount of delinquent taxes would be collected. Amounts distributed to taxing jurisdictions upon a sale following a tax forfeiture of the property are not tax increments.

6. Reductions in Taxes Levied. If property taxes are reduced due to decreased municipal levies, taxes and tax increments will be reduced. Reasons for such reduction could include lower local expenditures or changes in state aids to municipalities. For instance, in 2001 the Minnesota Legislature enacted an education funding reform that involved the state increasing school aid in lieu of the local general education levy (a component of school district tax levies).

7. Reductions in Tax Capacity Rates. The taxable value of real property is determined by multiplying the market value of the property by a tax capacity rate. Tax capacity rates vary by certain categories of property; for example, the tax capacity rates for residential homesteads are currently less than the tax capacity rates for commercial and industrial property. In 2001 the Minnesota Legislature enacted property tax reform that lowered various tax capacity

rates to “compress” the difference between the tax capacity rates applicable to residential homestead properties and commercial and industrial properties.

8. Changes to Local Tax Rate. The local tax rate to be applied in the tax increment financing district is the lower of the current local tax rate or the original local tax rate for the tax increment financing district. In the event that the Current Local Tax Rate is higher than the Original Local Tax Rate, then the “excess” or difference that comes about after applying the lower Original Local Tax Rate instead of the Current Local Tax Rate is considered “excess” tax increment and is distributed by Carver County to the other taxing jurisdictions and such amount is not available to the City as tax increment.

9. Legislation. The Minnesota Legislature has frequently modified laws affecting real property taxes, particularly as they relate to tax capacity rates and the overall level of taxes as affected by state aid to municipalities.

10. Affordable Housing Declaration. The TIF District will cease to qualify as a housing tax increment financing district and the TIF Note will terminate if the Project ceases to be operated in accordance with the Declaration required by and defined in the TIF Assistance Agreement defined in the attached Note.

**Exhibit 2**  
**to Taxable TIF Note**

**ACKNOWLEDGMENT REGARDING TIF NOTE**

The undersigned, \_\_\_\_\_ a \_\_\_\_\_ (“Note Holder”), hereby certifies and acknowledges that:

A. On the date hereof the Note Holder has [acquired from]/[made a loan (the “Loan”) [to/for the benefit] of] Bethesda Cornerstone Village-Victoria, LLC (the “Developer”) [secured in part by] the Taxable Tax Increment Revenue Note (Bethesda Housing Project), a pay-as-you-go tax increment revenue note (the “Note”) in the original principal amount of \$1,280,000 [dated \_\_\_\_\_, 20\_\_ of]/[to be issued by] the City of Victoria, Minnesota (the “City”).

B. The Note Holder has had the opportunity to ask questions of and receive from the Developer all information and documents concerning the Note as it requested, and has had access to any additional information the Note Holder thought necessary to verify the accuracy of the information received. In determining to [acquire the Note]/[make the Loan], the Note Holder has made its own determinations and has not relied on the City or information provided by the City.

C. The Note Holder represents and warrants that:

1. The Note Holder is acquiring [the Note]/[an interest in the Note as collateral for the Loan] for investment and for its own account, and without any view to resale or other distribution.

2. The Note Holder has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of acquiring [the Note]/[an interest in the Note as collateral for the Loan].

3. The Note Holder understands that the Note is a security which has not been registered under the Securities Act of 1933, as amended, or any state securities law, and must be held until its sale is registered or an exemption from registration becomes available.

4. The Note Holder is aware of the limited payment source for the Note and interest thereon and risks associated with the sufficiency of that limited payment source.

5. The Note Holder is [a bank or other financial institution] / [the owner of the property from which the tax increments which are pledged to the Note are generated].

D. The Note Holder understands that the Note is payable solely from certain tax increments derived from certain properties located in a tax increment financing district, if and as received by the City. The Note Holder acknowledges that the City has made no representation or covenant, express or implied, that the revenues pledged to pay the Note will be sufficient to pay,



in whole or in part, the principal and interest due on the Note. Any amounts which have not been paid on the Note on or before the final maturity date of the Note shall no longer be payable, as if the Note had ceased to be an obligation of the City. The Note Holder understands that the Note will never represent or constitute a general obligation, debt or bonded indebtedness of the City, the State of Minnesota, or any political subdivision thereof and that no right will exist to have taxes levied by the City, the State of Minnesota or any political subdivision thereof for the payment of principal and interest on the Note.

E. The Note Holder understands that the Note is payable solely from certain tax increments, which are taxes received on improvements made to certain property (the "Project") in a tax increment financing district from the increased taxable value of the property over its base value at the time that the tax increment financing district was created, which base value is called "original net tax capacity". There are risk factors in relying on tax increments to be received, which include, but are not limited to, the following:

1. Value of Project. If the contemplated Project constructed in the tax increment financing district are completed at a lesser level of value than originally contemplated, they will generate fewer taxes and fewer tax increments than originally contemplated.
2. Damage or Destruction. If the Project is damaged or destroyed after completion, their value will be reduced, and taxes and tax increments will be reduced. Repair, restoration or replacement of the Project may not occur, may occur after only a substantial time delay, or may involve property with a lower value than the Project, all of which would reduce taxes and tax increments.
3. Change in Use to Tax-Exempt. The Project could be acquired by a party that devotes it to a use which causes the property to be exempt from real property taxation. Taxes and tax increments would then cease.
4. Depreciation. The Project could decline in value due to changes in the market for such property or due to the decline in the physical condition of the property. Lower market valuation will lead to lower taxes and lower tax increments.
5. Non-payment of Taxes. If the property owner does not pay property taxes, either in whole or in part, the lack of taxes received will cause a lack of tax increments. The Minnesota system of collecting delinquent property taxes is a lengthy one that could result in substantial delays in the receipt of taxes and tax increments, and there is no assurance that the full amount of delinquent taxes would be collected. Amounts distributed to taxing jurisdictions upon a sale following a tax forfeiture of the property are not tax increments.
6. Reductions in Taxes Levied. If property taxes are reduced due to decreased municipal levies, taxes and tax increments will be reduced. Reasons for such reduction could include lower local expenditures or changes in state aids to municipalities. For instance, in 2001 the Minnesota Legislature enacted an education

funding reform that involved the state increasing school aid in lieu of the local general education levy (a component of school district tax levies).

7. Reductions in Tax Capacity Rates. The taxable value of real property is determined by multiplying the market value of the property by a tax capacity rate. Tax capacity rates vary by certain categories of property; for example, the tax capacity rates for residential homesteads are currently less than the tax capacity rates for commercial and industrial property. In 2001 the Minnesota Legislature enacted property tax reform that lowered various tax capacity rates to "compress" the difference between the tax capacity rates applicable to residential homestead properties and commercial and industrial properties.

8. Changes to Local Tax Rate. The local tax rate to be applied in the tax increment financing district is the lower of the current local tax rate or the original local tax rate for the tax increment financing district. In the event that the Current Local Tax Rate is higher than the Original Local Tax Rate, then the "excess" or difference that comes about after applying the lower Original Local Tax Rate instead of the Current Local Tax Rate is considered "excess" tax increment and is distributed by Carver County to the other taxing jurisdictions and such amount is not available to the City as tax increment.

9. Legislation. The Minnesota Legislature has frequently modified laws affecting real property taxes, particularly as they relate to tax capacity rates and the overall level of taxes as affected by state aid to municipalities.

10. Affordable Housing Declaration. The TIF District will cease to qualify as a housing tax increment financing district and the TIF Note will terminate if the Project ceases to be operated in accordance with the Declaration required by and defined in the TIF Assistance Agreement defined below.

F. The Note Holder acknowledges that the Note was issued as part of a TIF Assistance Agreement between the City and the Developer dated July 9, 2019 ("TIF Assistance Agreement"), and that the City has the right to suspend payments under this Note and/or terminate the Note upon an Event of Default under the TIF Assistance Agreement.

G. The Note Holder acknowledges that the City makes no representation about the tax treatment of, or tax consequences from, the Note Holder's acquisition of [the Note]/[an interest in the Note as collateral for the Loan].

WITNESS our hand this 25<sup>th</sup> day of July, 2019.

**Note Holder:**

By 

Name: DAVE GRIEBEL

Its CFO

**EXHIBIT E**  
**TOTAL DEVELOPMENT COSTS**

# EXHIBIT E

## Source and Use Summary

### Sources

Construction Loan	\$ 14,713,918
Owner Equity Investment	\$ 2,075,000
Land Value	\$ 1,050,000
Endowment Fees/Bridge Loan	\$ -
TIF Proceeds	\$ -
Developer Fee (Deferred)	\$ 284,718

**Total Sources** \$ **18,123,636**

### Uses

Hard Costs	\$ 14,875,799
Demolition/Abatement	\$ -
Soft Costs (not including Developer fee)	\$ 1,913,119
Developer Fee Payable at Loan Closing	\$ -
Developer Fee (Deferred)	\$ 284,718
Land	\$ 1,050,000

**Total Uses** \$ **18,123,636**

## EXHIBIT F

### DECLARATION OF RESTRICTIVE COVENANTS

THIS DECLARATION OF RESTRICTIVE COVENANTS, dated July 9, 2019 (the "Declaration"), by BETHESDA CORNERSTONE VILLAGE-VICTORIA, LLC, a Wisconsin limited liability company (the "Developer"), is given for the benefit of the CITY OF VICTORIA, MINNESOTA, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (the "City").

#### RECITALS

WHEREAS, the City and the Developer entered into that certain TIF Assistance Agreement, dated July 9, 2019, (the "Contract"); and

WHEREAS, pursuant to the Contract, the Developer is obligated to cause construction of approximately 52-unit affordable senior multifamily rental housing development, including an approximately 37-unit, three story apartment building and an approximately 15-unit single-level townhome development, and all related amenities and improvements (the "Project") on the property described in **EXHIBIT A** hereto (the "Property"), and to cause compliance with certain affordability covenants described in Section 3.3 of the Contract; and

WHEREAS, Section 3.3 of the Contract requires that the Developer cause to be executed an instrument in recordable form substantially reflecting the covenants set forth in Section 3.3 of the Contract; and

WHEREAS, the Developer intends, declares, and covenants that the restrictive covenants set forth herein will be and are covenants running with the Property for the term described herein and binding upon all subsequent owners of the Property for the term described herein, and are not merely personal covenants of the Developer; and

WHEREAS, capitalized terms in this Declaration have the meaning provided in the Contract unless otherwise defined herein.

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, and of other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Developer agrees as follows:

1. Term of Restrictions.

(a) Occupancy and Rental Restrictions. The term of the Occupancy Restrictions set forth in Section 3 of this Declaration will commence on the date a certificate of occupancy is received from the City for all residential units on the Property and continue through the Termination Date defined below (the "Qualified Project Period").

(b) Termination of Declaration. This Declaration shall terminate upon the earlier of (i) December 31, 2047, or (ii) the date the TIF District is terminated in accordance with the TIF Act, or (iii) the date the TIF Note is paid in full or the City cancels the TIF Note upon a written request for termination from the Developer.

In addition, in the event of foreclosure or transfer of title by deed in lieu of foreclosure, upon completion of the foreclosure and expiration of the applicable redemption period, or recording of a deed in lieu of foreclosure, any mortgagee (or any assignee of the mortgagee) or any purchasers at or after foreclosure thereof, by the successful bidder at the sale, to the title to the Development Property, may terminate this Declaration, by providing written notice to the City and by filing a termination document in the applicable real property records in Carver County, and thereafter this Declaration shall be of no further force and effect; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of this Declaration as the result of the foreclosure, or the delivery of a deed in lieu of foreclosure, or a similar event, the Developer or any related person (within the meaning of Section 1.103-10(e) of the Treasury Regulations) obtains an ownership interest in the Project for federal income tax purposes.

Each of the events set forth in the first two paragraphs of this Section 1(b) are referred to individually and collectively herein as the "Termination Date". The Developer acknowledges, on behalf of itself and its successors and assigns that, upon any termination of this Declaration prior to the payment in full of the TIF Note, the City will terminate the TIF Note.

(c) Removal from Real Estate Records. After the Termination Date of this Declaration, the City will, upon request by the Developer or its assigns, file any document appropriate to remove this Declaration from the real estate records of Carver County, Minnesota.

2. Project Restrictions.

(a) The Developer represents, warrants, and covenants that:

(i) All leases of residential units to Qualifying Tenants (as defined in Section 3(a)(i) hereof) will contain clauses, among others, wherein each individual lessee:

(1) Certifies the accuracy of the statements made in its application and Eligibility Certification (as defined in Section 3(a)(ii) hereof); and

(2) Agrees that the family income at the time the lease is executed will be deemed a substantial and material obligation of the lessee's tenancy; that the lessee will comply promptly with all requests for income and other information relevant to determining low or moderate income status from the Developer or the City, and that the lessee's failure or refusal to comply with a request for information with respect thereto will be deemed a violation of a substantial obligation of the lessee's tenancy.

(ii) All leases of residential units will contain clauses, among others, wherein each individual lessee agrees that the age of at least one occupant at the time the lease is executed shall be deemed a substantial and material obligation of the lessee's tenancy; that the lessee will comply promptly with all requests regarding the age of the occupants, and that the lessee's failure or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the lessee's tenancy.

(b) The Developer will permit any duly authorized representative of the City to inspect the books and records of the Developer pertaining to the income of Qualifying Tenants residing in the Project.

3. Occupancy Restrictions. The Developer represents, warrants, and covenants that:

(a) Qualifying Tenants. Throughout the Qualified Project Period, (i) at least 80% of the residential units shall be occupied by, or held for occupancy by, at least one person who is at least 55 years of age at the time of initial occupancy and shall be otherwise administered in accordance with 42 USC §3607(b) and Minnesota Statutes, §363A.21, Subd. 2 and the remaining residential units may be occupied by, or held for occupancy by, at least one person with a handicap as defined in 42 USC §3602(h) (of any age); and (ii) at least 20% of the residential units will be occupied (or treated as occupied as provided herein) or held vacant and available for occupancy by Qualifying Tenants. "Qualifying Tenants" means those persons and families who are determined from time to time by the Developer to have combined adjusted income that does not exceed 50% of the median income for the standard metropolitan statistical area which includes Victoria, Minnesota, as that figure is determined and announced from time to time by HUD, as adjusted for family size (the "Median Income") for the applicable calendar year. For purposes of this definition, the occupants of a residential unit will not be deemed to be Qualifying Tenants if all the occupants of such residential unit at any time are "students," as defined in Section 152(f)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), not entitled to an exemption under the Code. The determination of whether an individual or family is of low or moderate income will be made at the time the tenancy commences and on an ongoing basis thereafter, determined at least annually. If during their tenancy a Qualifying Tenant's income exceeds 140% of the maximum income qualifying as low or moderate income for a family of its size, the next available residential unit (determined in accordance with the Code and applicable regulations) (the "Next Available Unit Rule") must be leased to a Qualifying Tenant or held vacant and available for occupancy by a Qualifying Tenant. If the Next Available Unit Rule is violated, the residential unit will not continue to be treated as a Qualifying Unit.

Alternatively, the Developer may elect to satisfy the foregoing affordability requirements by substituting "40% of the residential units" in place of "20% of the residential units" in the preceding paragraph if, for such purposes, the term "Qualifying Tenants" means those persons and families who are determined from time to time by the Developer to have combined adjusted income that does not exceed 60% of the Median Income.

(b) Certification of Tenant Eligibility. As a condition to initial and continuing occupancy, each person who is intended to be a Qualifying Tenant will be required annually to sign and deliver to the Developer a Certification of Tenant Eligibility substantially in the form attached

as **EXHIBIT B** hereto, or in any other form as may be approved by the City (the "Eligibility Certification"), in which the prospective Qualifying Tenant certifies as to having a qualifying low or moderate income. In addition, at least one person in each residential unit shall certify as to being 55 years of age or older, or at least one person with a handicap as defined in 42 USC §3602(h) (of any age), in accordance with Section 3(a) hereof. The Qualifying Tenant will be required to provide whatever other information, documents, or certifications are deemed necessary by the City to substantiate the Eligibility Certification, on an ongoing annual basis, and to verify that the tenant continues to be a Qualifying Tenant within the meaning of Section 3(a) hereof. Eligibility Certifications will be maintained on file by the Developer with respect to each Qualifying Tenant who resides in a residential unit or resided therein during the immediately preceding calendar year.

(c) Lease. The form of lease to be utilized by the Developer in renting any residential units in the Project to any person who is intended to be a Qualifying Tenant will provide for termination of the lease and consent by the person to immediate eviction for failure to qualify as a Qualifying Tenant as a result of any material misrepresentation made by the person with respect to the Eligibility Certification.

(d) Annual Report. The Developer covenants and agrees that during the term of this Declaration, it will prepare and submit to the City on or before July 1 of each year, a certificate substantially in the form of **EXHIBIT C** hereto, executed by the Developer, (a) identifying the tenancies and the dates of occupancy (or vacancy) for all Qualifying Tenants in the Project, including the percentage of the residential units of the Project which were occupied by Qualifying Tenants (or held vacant and available for occupancy by Qualifying Tenants) at all times during the year preceding the date of the certificate; (b) describing all transfers or other changes in ownership of the Project or any interest therein; and (c) stating, that to the best knowledge of the person executing the certificate after due inquiry, all the residential units were rented or available for rental on a continuous basis during the year to members of the general public and that the Developer was not otherwise in default under this Declaration during the year.

(e) Notice of Non-Compliance. The Developer will immediately notify the City if at any time during the term of this Declaration fewer dwelling units in the Project than the percentage of the units required pursuant to Section 3(a) are occupied or available for occupancy as required by the terms of this Declaration.

4. Transfer Restrictions. The Developer covenants and agrees that the Developer will cause or require as a condition precedent to any conveyance, transfer, assignment, or any other disposition of the Project prior to the termination of the Occupancy Restrictions provided herein (the "Transfer") that the transferee of the Project pursuant to the Transfer assume in writing, in a form acceptable to the City, all duties and obligations of the Developer under this Declaration, including this Section 4, in the event of a subsequent Transfer by the transferee prior to expiration of the Rental Restrictions and Occupancy Restrictions provided herein (the "Assumption Agreement"). The Developer will deliver the Assumption Agreement to the City prior to the Transfer.



5. Enforcement.

(a) The Developer will permit, during normal business hours and upon reasonable notice, any duly authorized representative of the City to inspect any books and records of the Developer regarding the Project with respect to the incomes of Qualifying Tenants.

(b) The Developer will submit any other information, documents or certifications requested by the City which the City deems reasonably necessary to substantiate the Developer's continuing compliance with the provisions specified in this Declaration.

(c) The Developer acknowledges that the primary purpose for requiring compliance by the Developer with the restrictions provided in this Declaration is to ensure compliance of the property with the age restriction and housing affordability covenants set forth in Section 3.3 of the Contract, and by reason thereof, the Developer, in consideration for assistance provided by the City under the Contract that makes possible the construction of the Project (as defined in the Contract) on the Property, hereby agrees and consents that the City will be entitled, for any breach of the provisions of this Declaration, and in addition to all other remedies provided by law or in equity, to enforce specific performance by the Developer of its obligations under this Declaration in a state court of competent jurisdiction. The Developer hereby further specifically acknowledges that the City cannot be adequately compensated by monetary damages in the event of any default hereunder.

(d) The Developer understands and acknowledges that, in addition to any remedy set forth herein for failure to comply with the restrictions set forth in this Declaration, the City may exercise any remedy available to it under Article IV of the Contract.

6. Indemnification. The Developer hereby indemnifies, and agrees to defend and hold harmless, the City from and against all liabilities, losses, damages, costs, expenses (including attorneys' fees and expenses), causes of action, suits, allegations, claims, demands, and judgments of any nature arising from the consequences of a legal or administrative proceeding or action brought against them, or any of them, on account of any failure by the Developer to comply with the terms of this Declaration, or on account of any representation or warranty of the Developer contained herein being untrue.

7. Agent of the City. The City will have the right to appoint an agent to carry out any of its duties and obligations hereunder, and will inform the Developer of any agency appointment by written notice.

8. Severability. The invalidity of any clause, part or provision of this Declaration will not affect the validity of the remaining portions thereof.

9. Notices. All notices to be given pursuant to this Declaration must be in writing and will be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to any other place as a party may from time to time designate in writing. The Developer and the City may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications are sent. The initial addresses for notices and other communications are as follows:

To the City:

City of Victoria, Minnesota  
P.O. Box 36  
Victoria, Minnesota 55386  
Attn: City Manager

To the Developer:

Bethesda Cornerstone Village-Victoria, LLC  
600 Hoffmann Drive  
Watertown, WI 53094  
Attn: VP of Real Estate Development

10. Governing Law. This Declaration is governed by the laws of the State of Minnesota and, where applicable, the laws of the United States of America.

11. Attorneys' Fees. In case any action at law or in equity, including an action for declaratory relief, is brought against the Developer to enforce the provisions of this Declaration, the Developer agrees to pay the reasonable attorneys' fees and other reasonable expenses paid or incurred by the City in connection with the action.

12. Declaration Binding. This Declaration and the covenants contained herein will run with the real property comprising the Project and will bind the Developer and its successors and assigns and all subsequent owners of the Project or any interest therein, and the benefits will inure to the City and its successors and assigns until the Termination Date of this Declaration as provided in Section 1(b) hereof.

IN WITNESS WHEREOF, the Developer has caused this Declaration of Restrictive Covenants to be signed by its respective duly authorized representatives, as of the day and year first written above.

BETHESDA CORNERSTONE VILLAGE-  
VICTORIA, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

STATE OF MINNESOTA    )  
                                  ) SS.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_, 2019, by \_\_\_\_\_, the \_\_\_\_\_ of Bethesda Cornerstone Village-Victoria, LLC, a \_\_\_\_\_ limited liability company.

\_\_\_\_\_  
Notary Public

THIS INSTRUMENT WAS DRAFTED BY:  
Kennedy & Graven, Chartered (JSB)  
470 U.S. Bank Plaza  
200 South Sixth Street  
Minneapolis, MN 55402  
(612) 337-9300

This Declaration is acknowledged and consented to by:

CITY OF VICTORIA, MINNESOTA

By \_\_\_\_\_  
Its Mayor

By \_\_\_\_\_  
Its City Manager

STATE OF MINNESOTA    )  
                                      ) SS.  
COUNTY OF CARVER     )

The foregoing instrument was acknowledged before me this \_\_\_\_\_, 2019, by \_\_\_\_\_, the Mayor of the City of Victoria, Minnesota a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Minnesota, on behalf of said municipality.

\_\_\_\_\_  
Notary Public

STATE OF MINNESOTA    )  
                                      ) SS.  
COUNTY OF CARVER     )

The foregoing instrument was acknowledged before me this \_\_\_\_\_, 2019, by \_\_\_\_\_, the City Manager of the City of Victoria, Minnesota, a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Minnesota, on behalf of said municipality.

\_\_\_\_\_  
Notary Public

## **EXHIBIT A TO DECLARATION OF RESTRICTIVE COVENANTS**

Lot 2, Block 1, ARETZ FIRST ADDITION, together with the West 50 feet of Lot 3, Block 1, ARETZ FIRST ADDITION, Carver County, Minnesota.

## EXHIBIT B TO DECLARATION OF RESTRICTIVE COVENANTS

### Certification of Tenant Eligibility

<b>TENANT INCOME CERTIFICATION</b>  <input type="checkbox"/> Initial Certification <input type="checkbox"/> Recertification <input type="checkbox"/> Other _____	Effective Date: _____ Move-in Date: _____ (MM/DD/YY): _____
---	---

#### PART I. DEVELOPMENT DATA

Property Name: _____ Apartments Address: _____, Victoria, Minnesota	County: _____ Carver Unit Number: _____	BIN #: _____ # Bedrooms: _____
--	---	-----------------------------------

#### PART II. HOUSEHOLD COMPOSITION

HH Br #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						

#### PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Br #	(A) Employment or Wages	(B) Soc. Security / Pensions	(C) Public Assistance	(D) Other Income
<b>TOTAL</b>	\$	\$	\$	\$
Add totals from (A) through (D) above			<b>TOTAL INCOME (E):</b>	\$

### PART IV. INCOME FROM ASSETS

HH Mbr#	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
<b>TOTALS:</b>			<b>\$</b>	<b>\$</b>
Enter Column (H) Total if over \$5,000    \$ _____		Passbook Rate x 2.00 %                      =                      (J) Imputed Income		\$ _____
Enter the greater of the total column I, or J: imputed income <b>TOTAL INCOME FROM ASSETS (K)</b>				\$ _____
<b>(L) Total Annual Household Income from all sources [Add (E) + (K)]</b>				<b>\$</b>

### HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full-time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature	(Date)	Signature	(Date)
Signature	(Date)	Signature	(Date)

### PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD  
INCOME FROM ALL SOURCES  
From Item (L) on page 1

\$

Household Meets  
Income Restriction

at:

- ☐ 60%    ☐ 50%  
☐ 40%    ☐ 30%  
☐ \_\_\_\_%

RECERTIFICATION ONLY:

Current Income Limit x 140%

Current Income Limit per Family Size:                      \$

\$

Household income exceeds 140% at  
recertification:

☐ Yes    ☐ No

Household Income at Move-in  
\$ \_\_\_\_\_

Household Size at Move-in:  
\_\_\_\_\_

**PART VI. RENT**

Tenant Paid Rent	\$ _____	Rent Assistance:	\$ _____
Utility Allowance	\$ _____	Other non-optional charges:	\$ _____

GROSS RENT FOR UNIT: Tenant paid rent plus Utility Allowance and other non-optional charges	\$	Unit Meets Rent Restriction at:  <input type="checkbox"/> 60% <input type="checkbox"/> 50% <input type="checkbox"/> 40% <input type="checkbox"/> 30% <input type="checkbox"/> ____%
--	----	---

Maximum Rent Limit for this unit:	\$ _____
-----------------------------------	----------

**PART VII. STUDENT STATUS**

ARE ALL OCCUPANTS FULL-TIME  
STUDENTS?

☐ yes   ☐ no

If yes, enter student explanation\*\*  
(also attach documentation)

Enter  
1-4

Student explanation:

1. TANF assistance
2. Job training program
3. Single parent/dependent child
4. Married/joint return\*

**\*Exception for married/joint return is the only exception available for units necessary to qualify tax-exempt bonds.**

**PART VIII. PROGRAM TYPE**

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification

a. Tax Credit <input type="checkbox"/>	b. HOME <input type="checkbox"/>	c. Tax Exempt <input type="checkbox"/>	d. AHDP <input type="checkbox"/>	e. _____ <input type="checkbox"/>
(Name of Program)				

See Part V above.	<i>Income Status</i> <input type="checkbox"/> ≤ 50% AMGI <input type="checkbox"/> ≤ 60% AMGI <input type="checkbox"/> ≤ 80% AMGI <input type="checkbox"/> ≤ 0I **	<i>Income Status</i> <input type="checkbox"/> 50% AMGI <input type="checkbox"/> 60% AMGI <input type="checkbox"/> 80% AMGI <input type="checkbox"/> 0I **	<i>Income Status</i> <input type="checkbox"/> ≤ 50% AMGI <input type="checkbox"/> ≤ 80% AMGI <input type="checkbox"/> ≤ 0I **	<i>Income Status</i> <input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> ≤ 0I **
-------------------	---	---	--	--

\*\* Upon recertification, household was determined over income (OI) according to eligibility requirements of the program(s) marked above.

**SIGNATURE OF OWNER / REPRESENTATIVE**

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Regulatory Agreement (if applicable), to live in a unit in this Project.

\_\_\_\_\_  
SIGNATURE OF OWNER / REPRESENTATIVE

\_\_\_\_\_  
DATE



## INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

*This form is to be completed by the owner or an authorized representative.*

### Part I – Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date            Enter the date the tenant has or will take occupancy of the unit.

Effective Date            Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.

Property Name            Enter the name of the development.

County                    Enter the county (or equivalent) in which the building is located.

BIN #                      Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).

Address                    Enter the unit number.

Unit Number              Enter the unit number.

# Bedrooms                Enter the number of bedrooms in the unit.

### Part II – Household Composition

List all occupants of the unit. State each household member's relationship to the head of the household by using one of the following coded definitions:

H	Head of household	S	Spouse
A	Adult co-tenant	O	Other family member
C	Child	F	Foster child
L	Live-in caretaker	N	None of the above

Enter the date of birth, student status, and Social Security number or alien registration number for each occupant.

*If there are more than seven occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.*

### **Part III – Annual Income**

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the 12 months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
Column (C)	Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.)
Column (D)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
Row (E)	Add the totals from columns (A) through (D) above. Enter this amount.

### **Part IV – Income from Assets**

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the 12 months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

Column (F)	List the type of asset (i.e., checking account, savings account, etc.)
Column (G)	Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).
Column (H)	Enter the cash value of the respective asset.
Column (I)	Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).

TOTALS                      Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than \$5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

Row (K)                      Enter the Greater of the total in Column (I) or (J)

Row (L)                      Total Annual Household Income from All Sources    Add (E) and (K) and enter the total

## EXHIBIT C TO DECLARATION OF RESTRICTIVE COVENANTS

### Certificate of Continuing Program Compliance

Date: \_\_\_\_\_

The following information with respect to the Project located at \_\_\_\_\_, Victoria, Minnesota (the "Project"), is being provided by Bethesda Cornerstone Village-Victoria, LLC (the "Owner") to the City of Victoria, Minnesota (the "City"), pursuant to that certain Declaration of Restrictive Covenants, dated July \_\_, 2019 (the "Declaration"), with respect to the Project:

(A) The total number of residential units which are available for occupancy is 52. The total number of these units occupied is \_\_\_\_\_.

(B) The following residential units (identified by unit number) are currently occupied by "Qualifying Tenants," as the term is defined in the Declaration (for a total of 11 units):

1 BR Units:

2 BR Units:

3 BR Units:

(C) The following residential units which are included in (B) above, have been re-designated as residential units for Qualifying Tenants since \_\_\_\_\_, 20\_\_\_\_, the date on which the last "Certificate of Continuing Program Compliance" was filed with the City by the Owner:

Unit Number	Previous Designation of Unit (if any)	Replacing Unit Number
_____	_____	_____
_____	_____	_____

(D) The following residential units are considered to be occupied by Qualifying Tenants based on the information set forth below:

	Unit Number	Name of Tenant	Number of Persons Residing in the Unit	Number of Bedrooms	Total Adjusted Gross Income	Date of Initial Occupancy	Age	Rent
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								

(E) The Owner has obtained a "Certification of Tenant Eligibility," in the form provided as **EXHIBIT B** to the Declaration, from each Tenant named in (D) above, and each such Certificate is being maintained by the Owner in its records with respect to the Project. Attached hereto is the most recent "Certification of Tenant Eligibility" for each Tenant named in (D) above who signed such a Certification since \_\_\_\_\_, 20\_\_\_\_, the date on which the last "Certificate of Continuing Program Compliance" was filed with the City by the Owner.

(F) In renting the residential units in the Project, the Owner has not given preference to any particular group or class of persons (except for persons who qualify as Qualifying Tenants); and none of the units listed in (D) above have been rented for occupancy entirely by students, no one of which is entitled to file a joint return for federal income tax purposes. All of the residential units in the Project have been rented pursuant to a written lease, and the term of each lease is at least 12 months.

(G) The information provided in this "Certificate of Continuing Program Compliance" is accurate and complete, and no matters have come to the attention of the Owner which would indicate that any of the information provided herein, or in any "Certification of Tenant Eligibility" obtained from the Tenants named herein, is inaccurate or incomplete in any respect.

(H) The Project is in continuing compliance with the Declaration.

(I) The Owner certifies that as of the date hereof \_\_\_% of the residential dwelling units in the Project are occupied or held open for occupancy by Qualifying Tenants, as defined and provided in the Declaration.

(J) The rental levels for each Qualifying Tenant comply with the maximum permitted under the Declaration.

(K) The annual Rent Subsidy for the prior calendar year is \$\_\_\_\_\_ as shown in the attached Rent Subsidy calculation prepared in accordance with Section 3.3(5) of the Contract.

IN WITNESS WHEREOF, I have hereunto affixed my signature, on behalf of the Owner,  
on \_\_\_\_\_, 20\_\_.

-- **BETHESDA CORNERSTONE VILLAGE-VICTORIA,  
LLC**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## EXHIBIT G

### FORM OF MINIMUM ASSESSMENT AGREEMENT

THIS AGREEMENT, dated as of this 9th day of July, 2019, is between the City of Victoria, Minnesota (the "City") and Bethesda Cornerstone Village-Victoria, LLC, a Wisconsin limited liability company (the "Developer").

#### WITNESSETH

WHEREAS, on or before the date hereof the City and Developer have entered into a TIF Assistance Agreement dated as of July 9th, 2019 (the "TIF Agreement") regarding certain real property located in the City of Victoria, Minnesota (the "City") the legal description of which is attached hereto as **Exhibit A** (the "Development Property").

WHEREAS, it is contemplated that pursuant to said Agreement, the Developer will undertake the construction of approximately 52-unit affordable senior multifamily rental housing development, including an approximately 37-unit, three story apartment building and an approximately 15-unit single-level townhome development, and all related amenities and improvements (the "Project"), in accordance with plans and specifications approved by the City.

WHEREAS, the City and Developer desire to establish a minimum market value for the Development Property and the improvements constructed or to be constructed thereon, pursuant to Minnesota Statutes, Section 469.177.

WHEREAS, the Developer has acquired the Development Property.

WHEREAS, the City and the Assessor have reviewed plans and specifications for the Project.

NOW, THEREFORE, the parties to this Agreement, in consideration of the promises, covenants and agreements made by each to the other, do hereby agree as follows:

1. As of January 2, 2021, the minimum market value, which shall be assessed for the Development Property for taxes payable 2022 and in each year thereafter, shall not be less than \$7,878,000.

2. The minimum market values herein established shall be of no further force and effect after assessment on or before January 31, 2045 for taxes payable in 2046; provided, however, this Agreement shall terminate earlier upon such date as the earliest to occur of (i) the date on which the entire principal and accrued interest on the TIF Note (as defined in the TIF Agreement) has been paid in full; or (ii) any earlier date the TIF Agreement or the TIF Note is cancelled in accordance with the terms thereof or deemed paid in full; or (iii) the date the TIF District (as defined in the TIF Agreement) is terminated in accordance with the TIF Act (as defined in the TIF Agreement); or (iv) the date the City cancels the TIF Note upon a written request for termination from the Developer (the "Termination Date"). If the Termination Date is earlier than the assessment on or before January 31, 2045 for taxes payable in 2046, the City

shall duly execute and record a release of this Agreement upon the written request and sole expense of the then holder of fee title to the Developer Property.

3. This Agreement shall be recorded by the City with the County Recorder of Carver County, Minnesota and in the Office of the Carver County Registrar of Titles. The Developer shall pay all costs of recording.

4. Neither the preambles nor provisions of this Agreement are intended to, or shall they be construed as, modifying the terms of the TIF Agreement between the City and the Developer.

5. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties, shall be governed by and interpreted pursuant to Minnesota law, and may be executed in counterparts, each of which shall constitute an original hereof and all of which shall constitute one and the same instrument.

This Instrument Drafted By:  
Kennedy & Graven, Chartered (JSB)  
470 U.S. Bank Plaza  
200 South Sixth Street  
Minneapolis, MN 55402-1403



IN WITNESS WHEREOF, the City and the Developer have caused this Minimum Assessment Agreement to be executed in their names and on their behalf all as of the date set forth above.

CITY OF VICTORIA, MINNESOTA

By \_\_\_\_\_  
Mayor

By \_\_\_\_\_  
City Manager

STATE OF MINNESOTA    )  
                                      ) SS.  
COUNTY OF CARVER     )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019 by \_\_\_\_\_, the Mayor of the City of Victoria, a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Minnesota, on behalf of said municipality.

\_\_\_\_\_  
Notary Public

STATE OF MINNESOTA    )  
                                      ) SS.  
COUNTY OF CARVER     )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019 by \_\_\_\_\_, the City Manager of the City of Victoria, a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Minnesota, on behalf of said municipality.

\_\_\_\_\_  
Notary Public

BETHESDA CORNERSTONE VILLAGE-  
VICTORIA, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

STATE OF MINNESOTA    )  
                                  ) SS.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_, 2019, by  
\_\_\_\_\_, the \_\_\_\_\_ of Bethesda Cornerstone Village-Victoria, LLC, a  
\_\_\_\_\_ limited liability company.

\_\_\_\_\_  
Notary Public

CERTIFICATION BY COUNTY ASSESSOR

The undersigned, having reviewed the Assessment Agreement dated as of July \_\_, 2019 by and City of Victoria and Bethesda Cornerstone Village-Victoria, LLC, the plans and specifications for the Project, as defined in the foregoing Minimum Assessment Agreement, and the market value currently assigned to land upon which the improvements are to be constructed and being of the opinion that the minimum market value contained in the Minimum Assessment Agreement appears reasonable, hereby certifies as follows:

The undersigned Assessor, being legally responsible for the assessment of the above described property, hereby certifies that the minimum market value of \$7,878,000 as of January 2, 2021, assigned to such land and improvements is reasonable.

\_\_\_\_\_  
County Assessor for Carver County

STATE OF MINNESOTA    )  
  ) ss.  
COUNTY OF CARVER     )

      This instrument was acknowledged before me on \_\_\_\_\_, 2019, by  
\_\_\_\_\_, the County Assessor of Carver County.

\_\_\_\_\_  
Notary Public

## EXHIBIT A TO MINIMUM ASSESSMENT AGREEMENT

### Legal Description of Development Property

The property located in the City of Victoria, Carver County, Minnesota legally described as:

Lot 2, Block 1, ARETZ FIRST ADDITION, together with the West 50 feet of Lot 3, Block 1, ARETZ FIRST ADDITION, Carver County, Minnesota.

**EXHIBIT H**

**PERMITTED ENCUMBRANCES**

## **EXHIBIT I**

### **CERTIFICATE OF COMPLETION OF PROJECT**

\_\_\_\_\_, 20\_\_

WHEREAS, the CITY OF VICTORIA, MINNESOTA, a municipal corporation under the laws of the State of Minnesota (the "City"), and Bethesda Cornerstone Village-Victoria, LLC, a Wisconsin limited liability company (the "Developer") have entered into a TIF Assistance Agreement (the "TIF Assistance Agreement"), dated July 9, 2019; and

WHEREAS, the TIF Assistance Agreement requires the Developer to construct a Project (as that term is defined in the TIF Assistance Agreement);

WHEREAS, the Developer has constructed the Project in a manner deemed sufficient by the City to permit the execution of this certification in accordance with Section 3.9 of the TIF Assistance Agreement;

NOW, THEREFORE, this is to certify that the Developer has constructed the Project in accordance with the TIF Assistance Agreement. The remaining covenants of the Developer under the TIF Assistance Agreement are not intended to run with title to the Development Property or bind successors in title to the Development Property.

The City has, as of the date and year first above written, set its hand hereon.

CITY OF VICTORIA, MINNESOTA

By \_\_\_\_\_  
Its City Manager

STATE OF MINNESOTA    )  
                                  ) SS.  
COUNTY OF CARVER)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_,  
20\_\_, by \_\_\_\_\_, the City Manager of the City of Victoria, Minnesota, a  
municipal corporation and existing under the laws of the State of Minnesota, on behalf of said  
City.

\_\_\_\_\_  
Notary Public

EXHIBIT J  
SAMPLE RENT SUBSIDY CALCULATION

Year	1	2	3	4	5	6	7	8	9	10
MR Rent* (11 units unsubsidized)	264,000	271,920	280,078	288,480	297,134	306,048	315,230	324,687	334,427	344,460
<i>less</i>										
QT Rent* (11 units subsidized)	132,000	135,960	140,039	144,240	148,567	153,024	157,615	162,343	167,214	172,230
<i>equals</i>										
Annual gap	(132,000)	(135,960)	(140,039)	(144,240)	(148,567)	(153,024)	(157,615)	(162,343)	(167,214)	(172,230)
<i>less</i>										
Annual tax increment**	100,000	102,000	104,040	106,121	108,243	110,408	112,616	114,869	117,166	119,509
<i>equals</i>										
Annual Rent Subsidy	(32,000)	(33,960)	(35,999)	(38,119)	(40,324)	(42,616)	(44,999)	(47,475)	(50,048)	(52,721)
Cumulative Rent Subsidy	(32,000)	(65,960)	(101,959)	(140,078)	(180,402)	(223,018)	(268,017)	(315,491)	(365,539)	(418,260)

\*assumes 3% annual inflation of rent

\*\* assumes 3% annual inflation of rent



**ATTESTED  
COPY**

Document #: A682825

-----  
Date: 09-10-2019 Time: 10:36 AM Pages: 19  
Recording Fee: \$48.00

Paid on 09-10-2019  
County: Carver State: MN  
Requesting Party: SIEGEL BRILL PA  
Kaaren Lewis  
County Recorder

## DECLARATION OF RESTRICTIVE COVENANTS

THIS DECLARATION OF RESTRICTIVE COVENANTS, dated July 9, 2019 (the "Declaration"), by BETHESDA CORNERSTONE VILLAGE-VICTORIA, LLC, a Wisconsin limited liability company (the "Developer"), is given for the benefit of the CITY OF VICTORIA, MINNESOTA, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (the "City").

### RECITALS

WHEREAS, the City and the Developer entered into that certain TIF Assistance Agreement, dated July 9, 2019, (the "Contract"); and

WHEREAS, pursuant to the Contract, the Developer is obligated to cause construction of approximately 52-unit affordable senior multifamily rental housing development, including an approximately 37-unit, three story apartment building and an approximately 15-unit single-level townhome development, and all related amenities and improvements (the "Project") on the property described in **EXHIBIT A** hereto (the "Property"), and to cause compliance with certain affordability covenants described in Section 3.3 of the Contract; and

WHEREAS, Section 3.3 of the Contract requires that the Developer cause to be executed an instrument in recordable form substantially reflecting the covenants set forth in Section 3.3 of the Contract; and

WHEREAS, the Developer intends, declares, and covenants that the restrictive covenants set forth herein will be and are covenants running with the Property for the term described herein and binding upon all subsequent owners of the Property for the term described herein, and are not merely personal covenants of the Developer; and

WHEREAS, capitalized terms in this Declaration have the meaning provided in the Contract unless otherwise defined herein.

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, and of other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Developer agrees as follows:

1. Term of Restrictions.

(a) Occupancy and Rental Restrictions. The term of the Occupancy Restrictions set forth in Section 3 of this Declaration will commence on the date a certificate of occupancy is received from the City for all residential units on the Property and continue through the Termination Date defined below (the "Qualified Project Period").

(b) Termination of Declaration. This Declaration shall terminate upon the earlier of (i) December 31, 2047, or (ii) the date the TIF District is terminated in accordance with the TIF Act, or

(iii) the date the TIF Note is paid in full or the City cancels the TIF Note upon a written request for termination from the Developer.

In addition, in the event of foreclosure or transfer of title by deed in lieu of foreclosure, upon completion of the foreclosure and expiration of the applicable redemption period, or recording of a deed in lieu of foreclosure, any mortgagee (or any assignee of the mortgagee) or any purchasers at or after foreclosure thereof, by the successful bidder at the sale, to the title to the Development Property, may terminate this Declaration, by providing written notice to the City and by filing a termination document in the applicable real property records in Carver County, and thereafter this Declaration shall be of no further force and effect; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of this Declaration as the result of the foreclosure, or the delivery of a deed in lieu of foreclosure, or a similar event, the Developer or any related person (within the meaning of Section 1.103-10(e) of the Treasury Regulations) obtains an ownership interest in the Project for federal income tax purposes.

Each of the events set forth in the first two paragraphs of this Section 1(b) are referred to individually and collectively herein as the "Termination Date". The Developer acknowledges, on behalf of itself and its successors and assigns that, upon any termination of this Declaration prior to the payment in full of the TIF Note, the City will terminate the TIF Note.

(c) Removal from Real Estate Records. After the Termination Date of this Declaration, the City will, upon request by the Developer or its assigns, file any document appropriate to remove this Declaration from the real estate records of Carver County, Minnesota.

2. Project Restrictions.

(a) The Developer represents, warrants, and covenants that:

(i) All leases of residential units to Qualifying Tenants (as defined in Section 3(a)(i) hereof) will contain clauses, among others, wherein each individual lessee:

(1) Certifies the accuracy of the statements made in its application and Eligibility Certification (as defined in Section 3(a)(ii) hereof); and

(2) Agrees that the family income at the time the lease is executed will be deemed a substantial and material obligation of the lessee's tenancy; that the lessee will comply promptly with all requests for income and other information relevant to determining low or moderate income status from the Developer or the City, and that the lessee's failure or refusal to comply with a request for information with respect thereto will be deemed a violation of a substantial obligation of the lessee's tenancy.

(ii) All leases of residential units will contain clauses, among others, wherein each individual lessee agrees that the age of at least one occupant at the time the lease is executed shall be deemed a substantial and material obligation of the lessee's tenancy; that the lessee will comply promptly with all requests regarding the age of the occupants, and that the lessee's

failure or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the lessee's tenancy.

(b) The Developer will permit any duly authorized representative of the City to inspect the books and records of the Developer pertaining to the income of Qualifying Tenants residing in the Project.

3. Occupancy Restrictions. The Developer represents, warrants, and covenants that:

(a) Qualifying Tenants. Throughout the Qualified Project Period, (i) at least 80% of the residential units shall be occupied by, or held for occupancy by, at least one person who is at least 55 years of age at the time of initial occupancy and shall be otherwise administered in accordance with 42 USC §3607(b) and Minnesota Statutes, §363A.21, Subd. 2 and the remaining residential units may be occupied by, or held for occupancy by, at least one person with a handicap as defined in 42 USC §3602(h) (of any age); and (ii) at least 20% of the residential units will be occupied (or treated as occupied as provided herein) or held vacant and available for occupancy by Qualifying Tenants. "Qualifying Tenants" means those persons and families who are determined from time to time by the Developer to have combined adjusted income that does not exceed 50% of the median income for the standard metropolitan statistical area which includes Victoria, Minnesota, as that figure is determined and announced from time to time by HUD, as adjusted for family size (the "Median Income") for the applicable calendar year. For purposes of this definition, the occupants of a residential unit will not be deemed to be Qualifying Tenants if all the occupants of such residential unit at any time are "students," as defined in Section 152(f)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), not entitled to an exemption under the Code. The determination of whether an individual or family is of low or moderate income will be made at the time the tenancy commences and on an ongoing basis thereafter, determined at least annually. If during their tenancy a Qualifying Tenant's income exceeds 140% of the maximum income qualifying as low or moderate income for a family of its size, the next available residential unit (determined in accordance with the Code and applicable regulations) (the "Next Available Unit Rule") must be leased to a Qualifying Tenant or held vacant and available for occupancy by a Qualifying Tenant. If the Next Available Unit Rule is violated, the residential unit will not continue to be treated as a Qualifying Unit.

Alternatively, the Developer may elect to satisfy the foregoing affordability requirements by substituting "40% of the residential units" in place of "20% of the residential units" in the preceding paragraph if, for such purposes, the term "Qualifying Tenants" means those persons and families who are determined from time to time by the Developer to have combined adjusted income that does not exceed 60% of the Median Income.

(b) Certification of Tenant Eligibility. As a condition to initial and continuing occupancy, each person who is intended to be a Qualifying Tenant will be required annually to sign and deliver to the Developer a Certification of Tenant Eligibility substantially in the form attached as **EXHIBIT B** hereto, or in any other form as may be approved by the City (the "Eligibility Certification"), in which the prospective Qualifying Tenant certifies as to having a qualifying low or moderate income. In addition, at least one person in each residential unit shall certify as to being 55 years of age or older, or at least one person with a handicap as defined in 42 USC §3602(h) (of any age), in accordance with Section 3(a) hereof. The Qualifying Tenant will be required to provide whatever other information,

documents, or certifications are deemed necessary by the City to substantiate the Eligibility Certification, on an ongoing annual basis, and to verify that the tenant continues to be a Qualifying Tenant within the meaning of Section 3(a) hereof. Eligibility Certifications will be maintained on file by the Developer with respect to each Qualifying Tenant who resides in a residential unit or resided therein during the immediately preceding calendar year.

(c) Lease. The form of lease to be utilized by the Developer in renting any residential units in the Project to any person who is intended to be a Qualifying Tenant will provide for termination of the lease and consent by the person to immediate eviction for failure to qualify as a Qualifying Tenant as a result of any material misrepresentation made by the person with respect to the Eligibility Certification.

(d) Annual Report. The Developer covenants and agrees that during the term of this Declaration, it will prepare and submit to the City on or before July 1 of each year, a certificate substantially in the form of **EXHIBIT C** hereto, executed by the Developer, (a) identifying the tenancies and the dates of occupancy (or vacancy) for all Qualifying Tenants in the Project, including the percentage of the residential units of the Project which were occupied by Qualifying Tenants (or held vacant and available for occupancy by Qualifying Tenants) at all times during the year preceding the date of the certificate; (b) describing all transfers or other changes in ownership of the Project or any interest therein; and (c) stating, that to the best knowledge of the person executing the certificate after due inquiry, all the residential units were rented or available for rental on a continuous basis during the year to members of the general public and that the Developer was not otherwise in default under this Declaration during the year.

(e) Notice of Non-Compliance. The Developer will immediately notify the City if at any time during the term of this Declaration fewer dwelling units in the Project than the percentage of the units required pursuant to Section 3(a) are occupied or available for occupancy as required by the terms of this Declaration.

4. Transfer Restrictions. The Developer covenants and agrees that the Developer will cause or require as a condition precedent to any conveyance, transfer, assignment, or any other disposition of the Project prior to the termination of the Occupancy Restrictions provided herein (the "Transfer") that the transferee of the Project pursuant to the Transfer assume in writing, in a form acceptable to the City, all duties and obligations of the Developer under this Declaration, including this Section 4, in the event of a subsequent Transfer by the transferee prior to expiration of the Rental Restrictions and Occupancy Restrictions provided herein (the "Assumption Agreement"). The Developer will deliver the Assumption Agreement to the City prior to the Transfer.

5. Enforcement.

(a) The Developer will permit, during normal business hours and upon reasonable notice, any duly authorized representative of the City to inspect any books and records of the Developer regarding the Project with respect to the incomes of Qualifying Tenants.

(b) The Developer will submit any other information, documents or certifications requested by the City which the City deems reasonably necessary to substantiate the Developer's continuing compliance with the provisions specified in this Declaration.

(c) The Developer acknowledges that the primary purpose for requiring compliance by the Developer with the restrictions provided in this Declaration is to ensure compliance of the property with the age restriction and housing affordability covenants set forth in Section 3.3 of the Contract, and by reason thereof, the Developer, in consideration for assistance provided by the City under the Contract that makes possible the construction of the Project (as defined in the Contract) on the Property, hereby agrees and consents that the City will be entitled, for any breach of the provisions of this Declaration, and in addition to all other remedies provided by law or in equity, to enforce specific performance by the Developer of its obligations under this Declaration in a state court of competent jurisdiction. The Developer hereby further specifically acknowledges that the City cannot be adequately compensated by monetary damages in the event of any default hereunder.

(d) The Developer understands and acknowledges that, in addition to any remedy set forth herein for failure to comply with the restrictions set forth in this Declaration, the City may exercise any remedy available to it under Article IV of the Contract.

6. Indemnification. The Developer hereby indemnifies, and agrees to defend and hold harmless, the City from and against all liabilities, losses, damages, costs, expenses (including attorneys' fees and expenses), causes of action, suits, allegations, claims, demands, and judgments of any nature arising from the consequences of a legal or administrative proceeding or action brought against them, or any of them, on account of any failure by the Developer to comply with the terms of this Declaration, or on account of any representation or warranty of the Developer contained herein being untrue.

7. Agent of the City. The City will have the right to appoint an agent to carry out any of its duties and obligations hereunder, and will inform the Developer of any agency appointment by written notice.

8. Severability. The invalidity of any clause, part or provision of this Declaration will not affect the validity of the remaining portions thereof.

9. Notices. All notices to be given pursuant to this Declaration must be in writing and will be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to any other place as a party may from time to time designate in writing. The Developer and the City may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications are sent. The initial addresses for notices and other communications are as follows:

To the City:

City of Victoria, Minnesota  
P.O. Box 36  
Victoria, Minnesota 55386

Attn: City Manager

To the Developer: Bethesda Cornerstone Village-Victoria, LLC  
600 Hoffmann Drive  
Watertown, WI 53094  
Attn: VP of Real Estate Development

10. Governing Law. This Declaration is governed by the laws of the State of Minnesota and, where applicable, the laws of the United States of America.

11. Attorneys' Fees. In case any action at law or in equity, including an action for declaratory relief, is brought against the Developer to enforce the provisions of this Declaration, the Developer agrees to pay the reasonable attorneys' fees and other reasonable expenses paid or incurred by the City in connection with the action.

12. Declaration Binding. This Declaration and the covenants contained herein will run with the real property comprising the Project and will bind the Developer and its successors and assigns and all subsequent owners of the Project or any interest therein, and the benefits will inure to the City and its successors and assigns until the Termination Date of this Declaration as provided in Section 1(b) hereof.

IN WITNESS WHEREOF, the Developer has caused this Declaration of Restrictive Covenants to be signed by its respective duly authorized representatives, as of the day and year first written above.

BETHESDA CORNERSTONE VILLAGE-  
VICTORIA, LLC

By: Dave Griebel  
Name: DAVE GRIEBEL  
Its: CFO

Wisconsin  
STATE OF MINNESOTA )  
COUNTY OF Jefferson ) SS.

The foregoing instrument was acknowledged before me this July 25<sup>th</sup>, 2019, by Dave Griebel, the CFO of Bethesda Cornerstone Village-Victoria, LLC, a Wisconsin limited liability company.

Samantha S. Wilbern  
Notary Public

Samantha S. Wilbern  
NOTARY PUBLIC  
STATE OF WISCONSIN

THIS INSTRUMENT WAS DRAFTED BY:  
Kennedy & Graven, Chartered (JSB)  
470 U.S. Bank Plaza  
200 South Sixth Street  
Minneapolis, MN 55402  
(612) 337-9300



This Declaration is acknowledged and consented to by:

CITY OF VICTORIA, MINNESOTA

By Thomas C. Funt  
Its Mayor

By Dana Hardie  
Its City Manager

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF CARVER     )

The foregoing instrument was acknowledged before me this 5<sup>th</sup> day of August 2019, by Thomas C. Funt, the Mayor of the City of Victoria, Minnesota a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Minnesota, on behalf of said municipality.



Cynthia J. Patnode  
Notary Public

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF CARVER     )

The foregoing instrument was acknowledged before me this 5<sup>th</sup> day of August 2019, by Dana Hardie, the City Manager of the City of Victoria, Minnesota, a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Minnesota, on behalf of said municipality.



Cynthia J. Patnode  
Notary Public

## **EXHIBIT A TO DECLARATION OF RESTRICTIVE COVENANTS**

Lot 2, Block 1, ARETZ FIRST ADDITION, together with the West 50 feet of Lot 3, Block 1, ARETZ FIRST ADDITION, Carver County, Minnesota.

## EXHIBIT B TO DECLARATION OF RESTRICTIVE COVENANTS

### Certification of Tenant Eligibility

<b>TENANT INCOME CERTIFICATION</b>  <input type="checkbox"/> Initial Certification <input type="checkbox"/> Recertification <input type="checkbox"/> Other	Effective Date: _____ Move-in Date: _____ (MM/DD/YY): _____
--	---

#### PART I. DEVELOPMENT DATA

Property Name: _____ Apartments  Address: _____, Victoria, Minnesota	County: _____ Carver Unit Number: _____	BIN #: _____  # Bedrooms: _____
--	---	---------------------------------------

#### PART II. HOUSEHOLD COMPOSITION

HH Br #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						

#### PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Br #	(A) Employment or Wages	(B) Soc. Security / Pensions	(C) Public Assistance	(D) Other Income
<b>TOTAL</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Add totals from (A) through (D) above			<b>TOTAL INCOME (E):</b>	<b>\$</b>

### PART IV. INCOME FROM ASSETS

HH Mbr#	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
TOTALS:			\$	\$
Enter Column (H) Total		Passbook Rate		
if over \$5,000	\$ _____	x 2.00 %	=	(J) Imputed Income \$
Enter the greater of the total column I, or J: imputed income				\$
TOTAL INCOME FROM ASSETS (K)				\$
(L) Total Annual Household Income from all sources [Add (E) + (K)]				\$

### HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full-time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature	(Date)	Signature	(Date)
Signature	(Date)	Signature	(Date)

### PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD  
INCOME FROM ALL SOURCES  
From Item (L) on page 1

\$

Household Meets  
Income Restriction

at:

- ☐ 60%   ☐ 50%  
☐ 40%   ☐ 30%  
☐ \_\_\_\_%

RECERTIFICATION ONLY:

Current Income Limit x 140%

Current Income Limit per Family Size: \$

\$

Household income exceeds 140% at  
recertification:

☐ Yes   ☐ No

Household Income at Move-in

\$ \_\_\_\_\_

Household Size at Move-in:

\_\_\_\_\_

**PART VI. RENT**

Tenant Paid Rent \$ \_\_\_\_\_  
 Utility Allowance \$ \_\_\_\_\_

Rent Assistance: \$ \_\_\_\_\_  
 Other non-optional charges: \$ \_\_\_\_\_

GROSS RENT FOR UNIT:  
 Tenant paid rent plus Utility  
 Allowance and other non-optional  
 charges

\$ \_\_\_\_\_

Unit Meets Rent Restriction at:

☐ 60% ☐ 50% ☐ 40% ☐ 30% ☐ \_\_\_\_%

Maximum Rent Limit for this unit: \$ \_\_\_\_\_

**PART VII. STUDENT STATUS**

ARE ALL OCCUPANTS FULL-TIME  
 STUDENTS?

☐ yes ☐ no

If yes, enter student explanation\*\*  
 (also attach documentation)

Enter

1-4

Student explanation:

1. TANF assistance
2. Job training program
3. Single parent/dependent child
4. Married/joint return\*

\*Exception for married/joint return is the only exception available for units necessary to qualify tax-exempt bonds.

**PART VIII. PROGRAM TYPE**

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification

a. Tax Credit ☐    b. HOME ☐    c. Tax Exempt ☐    d. AHDP ☐    e. \_\_\_\_\_ ☐  
 (Name of Program)

See Part V above.

*Income Status*

- ☐ ≤ 50% AMGI  
☐ ≤ 60% AMGI  
☐ ≤ 80% AMGI  
☐ ≤ OI \*\*

*Income Status*

- ☐ 50% AMGI  
☐ 60% AMGI  
☐ 80% AMGI  
☐ OI \*\*

*Income Status*

- ☐ ≤ 50% AMGI  
☐ ≤ 80% AMGI  
☐ ≤ OI \*\*

*Income Status*

- ☐ \_\_\_\_\_  
☐ \_\_\_\_\_  
☐ ≤ OI \*\*

\*\* Upon recertification, household was determined over income (OI) according to eligibility requirements of the program(s) marked above.

**SIGNATURE OF OWNER / REPRESENTATIVE**

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Regulatory Agreement (if applicable), to live in a unit in this Project.

\_\_\_\_\_  
 SIGNATURE OF OWNER / REPRESENTATIVE

\_\_\_\_\_  
 DATE

## INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

*This form is to be completed by the owner or an authorized representative.*

### Part I – Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date            Enter the date the tenant has or will take occupancy of the unit.

Effective Date            Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.

Property Name            Enter the name of the development.

County                    Enter the county (or equivalent) in which the building is located.

BIN #                      Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).

Address                    Enter the unit number.

Unit Number              Enter the unit number.

# Bedrooms                Enter the number of bedrooms in the unit.

### Part II – Household Composition

List all occupants of the unit. State each household member's relationship to the head of the household by using one of the following coded definitions:

H	Head of household	S	Spouse
A	Adult co-tenant	O	Other family member
C	Child	F	Foster child
L	Live-in caretaker	N	None of the above

Enter the date of birth, student status, and Social Security number or alien registration number for each occupant.

*If there are more than seven occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.*

### **Part III – Annual Income**

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the 12 months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
Column (C)	Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.)
Column (D)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
Row (E)	Add the totals from columns (A) through (D) above. Enter this amount.

### **Part IV – Income from Assets**

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the 12 months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

Column (F)	List the type of asset (i.e., checking account, savings account, etc.)
Column (G)	Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).
Column (H)	Enter the cash value of the respective asset.
Column (I)	Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).

**TOTALS**                      Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than \$5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

**Row (K)**                      Enter the Greater of the total in Column (I) or (J)

**Row (L)**                      Total Annual Household Income from All Sources    Add (E) and (K) and enter the total



## EXHIBIT C TO DECLARATION OF RESTRICTIVE COVENANTS

### Certificate of Continuing Program Compliance

Date: \_\_\_\_\_

The following information with respect to the Project located at \_\_\_\_\_, Victoria, Minnesota (the "Project"), is being provided by Bethesda Cornerstone Village-Victoria, LLC (the "Owner") to the City of Victoria, Minnesota (the "City"), pursuant to that certain Declaration of Restrictive Covenants, dated July \_\_, 2019 (the "Declaration"), with respect to the Project:

(A) The total number of residential units which are available for occupancy is 52. The total number of these units occupied is \_\_\_\_\_.

(B) The following residential units (identified by unit number) are currently occupied by "Qualifying Tenants," as the term is defined in the Declaration (for a total of 11 units):

1 BR Units:

2 BR Units:

3 BR Units:

(C) The following residential units which are included in (B) above, have been re-designated as residential units for Qualifying Tenants since \_\_\_\_\_, 20\_\_\_\_, the date on which the last "Certificate of Continuing Program Compliance" was filed with the City by the Owner:

Unit Number	Previous Designation of Unit (if any)	Replacing Unit Number
_____	_____	_____
_____	_____	_____

(D) The following residential units are considered to be occupied by Qualifying Tenants based on the information set forth below:

	Unit Number	Name of Tenant	Number of Persons Residing in the Unit	Number of Bedrooms	Total Adjusted Gross Income	Date of Initial Occupancy	Age	Rent
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								

(E) The Owner has obtained a "Certification of Tenant Eligibility," in the form provided as **EXHIBIT B** to the Declaration, from each Tenant named in (D) above, and each such Certificate is being maintained by the Owner in its records with respect to the Project. Attached hereto is the most recent "Certification of Tenant Eligibility" for each Tenant named in (D) above who signed such a Certification since \_\_\_\_\_, 20\_\_\_\_, the date on which the last "Certificate of Continuing Program Compliance" was filed with the City by the Owner.

(F) In renting the residential units in the Project, the Owner has not given preference to any particular group or class of persons (except for persons who qualify as Qualifying Tenants); and none of the units listed in (D) above have been rented for occupancy entirely by students, no one of which is entitled to file a joint return for federal income tax purposes. All of the residential units in the Project have been rented pursuant to a written lease, and the term of each lease is at least 12 months.

(G) The information provided in this "Certificate of Continuing Program Compliance" is accurate and complete, and no matters have come to the attention of the

Owner which would indicate that any of the information provided herein, or in any "Certification of Tenant Eligibility" obtained from the Tenants named herein, is inaccurate or incomplete in any respect.

(H) The Project is in continuing compliance with the Declaration.

(I) The Owner certifies that as of the date hereof \_\_\_\_% of the residential dwelling units in the Project are occupied or held open for occupancy by Qualifying Tenants, as defined and provided in the Declaration.

(J) The rental levels for each Qualifying Tenant comply with the maximum permitted under the Declaration.

(K) The annual Rent Subsidy for the prior calendar year is \$ \_\_\_\_\_ as shown in the attached Rent Subsidy calculation prepared in accordance with Section 3.3(5) of the Contract.

IN WITNESS WHEREOF, I have hereunto affixed my signature, on behalf of the Owner, on \_\_\_\_\_, 20\_\_.

**BETHESDA CORNERSTONE VILLAGE-VICTORIA,  
LLC**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**ATTESTED  
COPY**

Document #: A682824

Date: 09-10-2019 Time: 10:36 AM Pages: 7  
Recording Fee: \$48.00

Paid on 09-10-2019  
County: Carver State: MN  
Requesting Party: SIEGEL BRILL PA  
Kaaren Lewis  
County Recorder

## MINIMUM ASSESSMENT AGREEMENT

THIS AGREEMENT, dated as of this 9th day of July, 2019, is between the City of Victoria, Minnesota (the "City") and Bethesda Cornerstone Village-Victoria, LLC, a Wisconsin limited liability company (the "Developer").

### WITNESSETH

WHEREAS, on or before the date hereof the City and Developer have entered into a TIF Assistance Agreement dated as of July 9th, 2019 (the "TIF Agreement") regarding certain real property located in the City of Victoria, Minnesota (the "City") the legal description of which is attached hereto as **Exhibit A** (the "Development Property").

WHEREAS, it is contemplated that pursuant to said Agreement, the Developer will undertake the construction of approximately 52-unit affordable senior multifamily rental housing development, including an approximately 37-unit, three story apartment building and an approximately 15-unit single-level townhome development, and all related amenities and improvements (the "Project"), in accordance with plans and specifications approved by the City.

WHEREAS, the City and Developer desire to establish a minimum market value for the Development Property and the improvements constructed or to be constructed thereon, pursuant to Minnesota Statutes, Section 469.177.

WHEREAS, the Developer has acquired the Development Property.

WHEREAS, the City and the Assessor have reviewed plans and specifications for the Project.

NOW, THEREFORE, the parties to this Agreement, in consideration of the promises, covenants and agreements made by each to the other, do hereby agree as follows:

1. As of January 2, 2021, the minimum market value, which shall be assessed for the Development Property for taxes payable 2022 and in each year thereafter, shall not be less than \$7,878,000.

2. The minimum market values herein established shall be of no further force and effect after assessment on or before January 31, 2045 for taxes payable in 2046; provided, however, this Agreement shall terminate earlier upon such date as the earliest to occur of (i) the date on which the entire principal and accrued interest on the TIF Note (as defined in the TIF Agreement) has been paid in full; or (ii) any earlier date the TIF Agreement or the TIF Note is cancelled in accordance with the terms thereof or deemed paid in full; or (iii) the date the TIF District (as defined in the TIF Agreement) is terminated in accordance with the TIF Act (as defined in the TIF Agreement); or (iv) the date the City cancels the TIF Note upon a written request for termination from the Developer (the "Termination Date"). If the Termination Date is earlier than the assessment on or before January 31, 2045 for taxes payable in 2046, the City shall duly execute and record a release of this Agreement upon the written request and sole expense of the then holder of fee title to the Developer Property.

3. This Agreement shall be recorded by the City with the County Recorder of Carver County, Minnesota and in the Office of the Carver County Registrar of Titles. The Developer shall pay all costs of recording.

4. Neither the preambles nor provisions of this Agreement are intended to, or shall they be construed as, modifying the terms of the TIF Agreement between the City and the Developer.

5. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties, shall be governed by and interpreted pursuant to Minnesota law, and may be executed in counterparts, each of which shall constitute an original hereof and all of which shall constitute one and the same instrument.

This Instrument Drafted By:  
Kennedy & Graven, Chartered (JSB)  
470 U.S. Bank Plaza  
200 South Sixth Street  
Minneapolis, MN 55402-1403

IN WITNESS WHEREOF, the City and the Developer have caused this Minimum Assessment Agreement to be executed in their names and on their behalf all as of the date set forth above.

CITY OF VICTORIA, MINNESOTA

By Thomas C. Funk  
Mayor

By Dana Hardie  
City Manager

STATE OF MINNESOTA    )  
                                      ) SS.  
COUNTY OF CARVER    )

The foregoing instrument was acknowledged before me this 5<sup>th</sup> day of August, 2019 by Thomas C. Funk, the Mayor of the City of Victoria, a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Minnesota, on behalf of said municipality.



Cynthia J. Patnode  
Notary Public

STATE OF MINNESOTA    )  
                                      ) SS.  
COUNTY OF CARVER    )

The foregoing instrument was acknowledged before me this 5<sup>th</sup> day of August, 2019 by Dana Hardie, the City Manager of the City of Victoria, a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Minnesota, on behalf of said municipality.



Cynthia J. Patnode  
Notary Public

BETHESDA CORNERSTONE VILLAGE-  
VICTORIA, LLC

By: *Dave Griebel*

Name: DAVE GRIEBEL

Its: CFO

STATE OF Wisconsin )  
~~MINNESOTA~~ ) SS.  
COUNTY OF Jefferson )

The foregoing instrument was acknowledged before me this July 25<sup>th</sup>, 2019, by Dave Griebel, the CFO of Bethesda Cornerstone Village-Victoria, LLC, a Wisconsin limited liability company.

*Samantha S. Wilbern*  
Notary Public

Samantha S. Wilbern  
NOTARY PUBLIC  
STATE OF WISCONSIN



CERTIFICATION BY COUNTY ASSESSOR

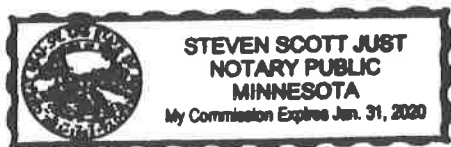
The undersigned, having reviewed the Assessment Agreement dated as of July \_\_, 2019 by and City of Victoria and Bethesda Cornerstone Village-Victoria, LLC, the plans and specifications for the Project, as defined in the foregoing Minimum Assessment Agreement, and the market value currently assigned to land upon which the improvements are to be constructed and being of the opinion that the minimum market value contained in the Minimum Assessment Agreement appears reasonable, hereby certifies as follows:

The undersigned Assessor, being legally responsible for the assessment of the above described property, hereby certifies that the minimum market value of \$7,878,000 as of January 2, 2021, assigned to such land and improvements is reasonable.

  
County Assessor for Carver County

STATE OF MINNESOTA    )  
  ) ss.  
COUNTY OF CARVER    )

This instrument was acknowledged before me on August 9, 2019, by Keith R. Kern, the County Assessor of Carver County.



  
Notary Public

## EXHIBIT A TO MINIMUM ASSESSMENT AGREEMENT

### Legal Description of Development Property

The property located in the City of Victoria, Carver County, Minnesota legally described as:

Lot 2, Block 1, ARETZ FIRST ADDITION, together with the West 50 feet of Lot 3, Block 1, ARETZ FIRST ADDITION, Carver County, Minnesota